



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

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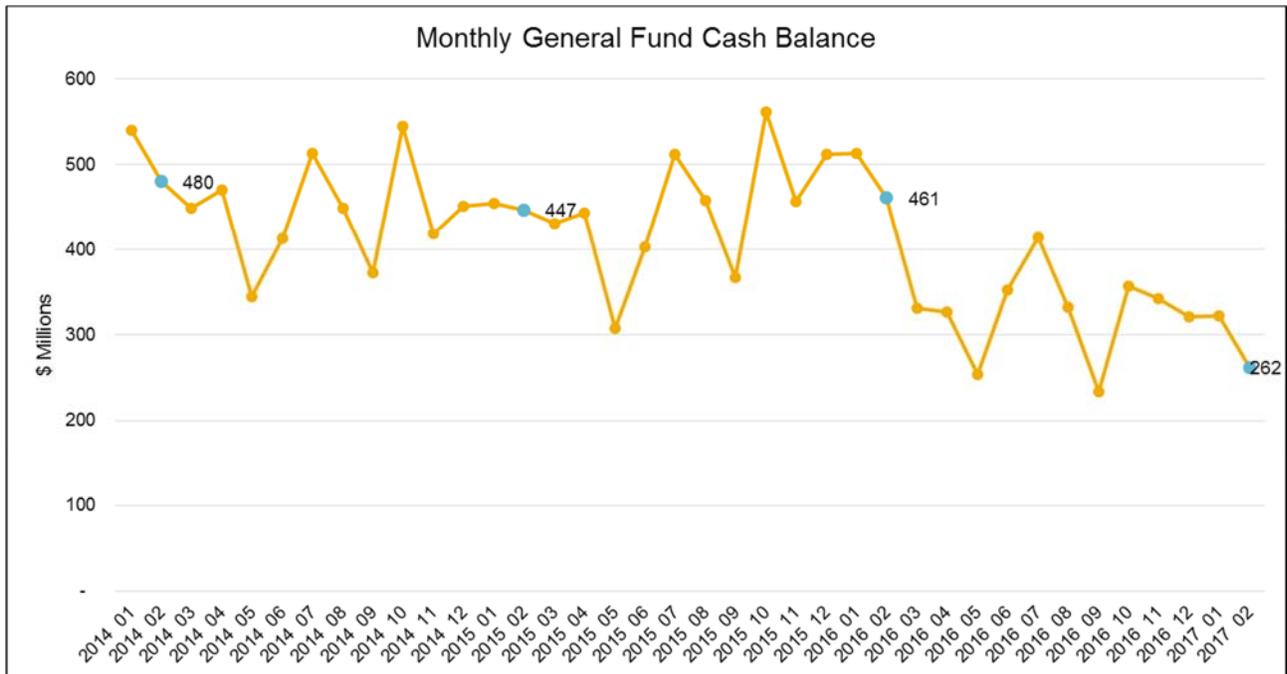
Director
AMY CARLSON

DATE: September 2, 2016
TO: Legislative Financial Leadership
FROM: LFD Staff
RE: Cash and Fund Balances

The Legislative Fiscal Division has received many questions in the last month regarding the difference between cash and fund balances. This memo attempts to address these questions.

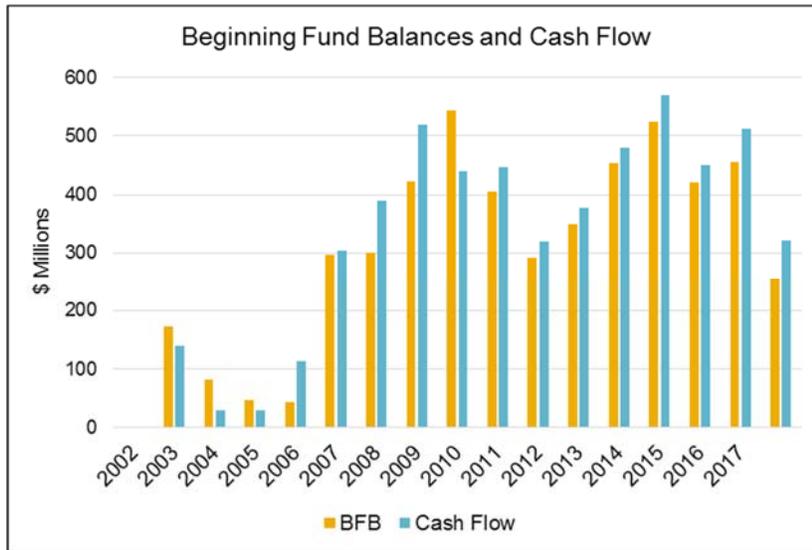
Cash balances represent the amount of cash that is in a fund on a given day. Cash balances vary substantially from day to day and month to month as the revenues are received at certain times and expenditures draw cash down at certain times. For example our own checking accounts look different before or after our pay check is deposited or our mortgage or rent payment comes out our bank account.

Actual fund balance is tried up only on a fiscal year basis. Actual fund balances included accounting transactions of accruals for both estimated revenue and expenditure that are due to a particular fiscal year. All of these accruals are included in ending fund balances. Ending fund balances are the beginning fund balance of the next fiscal year.



Estimated or forecast ending fund balances can be adjusted during a fiscal year based on new information. For example if revenues are greater or less than anticipated, projected ending fund balance can be adjusted.

The table on page one shows actual cash balance starting with the first month of FY 2014 and demonstrates the volatility of cash from month to month. The blue dots represent August, or the second month's cash balance in each fiscal year.



This chart shows beginning fund balances for each fiscal year since 2002 and the corresponding actual cash balances. As seen in the table to the left cash balances can be above or below fund balances.

The following chart illustrates cumulative monthly change in cash balance from FY 2002 through FY 2016 by month as recorded in the state accounting system (SABHRS). The yellow bars represent median year-to-date values and blue represents the 75th percentile. The 75th

percentile means that cash is greater than this value 3 out of every 4 years. November has 5.3% median reduction, and a 75th percentile reduction of 10.5%. In other words the median cash balance in November is 5.3% less than the cash balance at the beginning of the fiscal year. Also, in 3 out of 4 years, the cash balance would not be more than 10.5% less than the cash at the beginning of the fiscal year.

