



**STATE  
OF  
MONTANA**

# STATE ACCOUNTING TRAINING JUNE 2009

Presented by:

*DOA – State Accounting Bureau*

# Objectives

- **Discuss SAHBRS issues:**
  - Upcoming Upgrades
  - Billing Module
- **Discuss updates to State accounting policy:**
  - Leases
  - Intangibles
  - Pollution Remediation
  - CWIP
  - GASB 52
  - OPEB
  - Pension
  - Derivatives
- **Review accounting issues for:**
  - Deferred Rev
  - Prior vs. Current Year
  - “A” Accruals
- **Discuss FYE Dates/Reminders:**
  - Neg Cash at FYE
  - Selling STIP at FYE

# Agenda

SABHRS Update	Cheryl Grey	Derivatives	Charles Idehen
Leases	Julie Feldman	Deferred Revenue	Charles Idehen
Intangibles	Julie Feldman	Prior vs Current Yr	Wendy Feth
Pollution	Janet Atchison	“A” Accruals	Wendy Feth
CWIP	Janet Atchison	FYE/Dates Reminders	Heather Jarvis
GASB 52	Wendy Feth	Payment/Vendor Issues	Julie Feldman
OPEB	Wendy Feth	MISC	Julie Feldman
Pensions	Charles Idehen		

# Accounting Bureau #'s to know ...

Paul Christofferson	4609	
Julie Feldman	3094	
Janet Atchison	4669	AM, AR, PO & Billing Helpdesks - GL Backup - Fund Balance?'s
Charles Idehen	5584	GL Backup
Wendy Feth	4689	GL Backup
Heather Jarvis	4681	GL Helpdesk
Kristy Klein	5688	AP Helpdesk - 1099-MISC ?'s
Warrant Writer	3092	Vendor's – Warrant/Stale Replacements
Angie Burrows	3133	
Pat Birnie	2505	
Jennifer Winkler	5230	

# What event am I ???

- For some it was a new language ...
- Some of us have never heard of its primal beginnings ...
- We started with Vanilla but have since incorporated many edits, upgrades and new functionalities ...
- And it seems just like yesterday it all began ....

# SABHRS IS 10 YEARS OLD !!!





# SABHRS Update

# LEASES



# Leases

- Conveys rights to use capital assets
- Over a period of time
- Classified as either:
  - Operating
  - Capital
- See draft Section 2-1770 on lease policy

# Operating Leases

- All leases not qualifying as capital leases
- Must be expensed
- Recorded in the Actual Ledger for all fund types

# Operating Lease Entries

- Equal to payments required by lease each year
  - Can have different payments from year to year w/ leases that include incremental increases
- See Section draft 2-1770.12

# Capital Leases

- Must meet **ONE** of the following criteria:
  - Ownership transferred to lessee at end of lease
  - Lease contains bargain purchase option
  - Lease term at inception is  $\geq 75\%$  of economic life of asset
    - Except lease inception w/in last 25% of est asset life
  - PV of minimum lease payments  $\geq 90\%$  of FMV of property (See 2-1770.35 for calculation method)
    - Except lease inception w/in last 25% of est asset life

# Fiscal Funding Clause

- Lease may be cancelled if funds not appropriated
- Does not prevent lease from being considered a capital lease
  - If remote chance of funds not being appropriated
- Likelihood of clause being exercised
  - Lease is considered operating

# Installment Purchases

- Purchase occurs over time
- Ownership passes to purchaser immediately when payments begin
- Accounted for as a Capital Lease

# Recording Capital Leases

- Recorded as a Capital Asset
  - Depreciation on straight line basis
- Recorded as a LT Liability
  - ST adjustment needed at FYE by agencies
- Lease Payment
  - Principal vs Interest

# Value of Capital Lease Asset/Liab

## Asset/Obligation Recorded at:

- PV of the minimum lease payments at beginning of lease  $<$  FMV
  - Recorded at PV
    - Excludes insurance, maintenance and taxes
- PV of the minimum lease payments at the beginning of lease  $>$  FMV
  - Recorded at FMV
    - Excludes insurance, maintenance and taxes

# Capital Leases & AM – Recorded in Month of Inception

- Add the lease to AM in the month of inception (**best advice**)
- AM will generate:
  - Asset entries
    - Depreciation each month over life of lease
  - LT Liability entries
    - Establishment
    - Liability reductions based on payment dates
  - Lease schedule

# Capital Leases & AM – NOT Recorded in Month of Inception

- Creates additional work for agencies
- Capital Asset (if not leased asset) must be recorded in AM
  - AM will generate depreciation each month
  - LT Liability recorded by agencies in GL
  - Agencies need to manually reduce lease liability w/ each lease payment
- Agencies need to create lease schedule

# Lease - Example 1

- Lease term is 5 years
- Annual lease payment = 10,000
- No Bargain purchase option
- Life of asset is 20 years
- Title does not transfer
- FMV of asset is 100,000
- PV of lease payments = 75,000

# Example 1 - cont.

- Does title transfer?
- Does the lease contain a bargain purchase option?
- Is the lease term  $\geq 75\%$  of the life of the asset?
- Is the PV of the lease payments  $\geq 90\%$  of the FMV of the asset?
- **OPERATING LEASE**

# Lease - Example 2

- Lease term is 5 years
- Annual lease payment = 10,000
- No bargain purchase option
- Life of asset is 20 years
- Considered Installment Purchase
- FMV of asset is 100,000
- PV of min lease payments = 85,000

## Example 2 – cont.

- Does title transfer?
- Does the lease contain a bargain purchase option?
- Is the lease term  $\geq 75\%$  of the life of the asset?
- Is the PV of the lease payments  $\geq 90\%$  of the FMV of the asset?
- **CAPITAL LEASE – Title transfers w/ Installment purchase**

# Lease - Example 3

- Lease term is 30 years
- Annual lease payment = 10,000
- No bargain purchase option
- Life of asset is 40 years
- Title does not transfer
- FMV of asset is 1,000,000
- PV of min lease payments = 450,000

## Example 3 – cont.

- Does title transfer?
- Does the lease contain a bargain purchase option?
- Is the lease term  $\geq 75\%$  of the life of the asset?
- Is the PV of the lease payments  $\geq 90\%$  of the FMV of the asset?
- CAPITAL LEASE – Term of lease = 75%

# Entries – Proprietary Funds

- All entries recorded in Actual Ledger
- Asset/Depreciation Entries
- Liability Entries
- Lease Payment Entries
  - Lease principal
  - Lease Interest
- See Section 2-1770.36

# Entries – Governmental Funds

- Asset/Depreciation - Entitywide Ledger
- Liability Entries - Entitywide Ledger
- Lease Payment Entries – Actual Ledger
  - Lease principal
  - Lease Interest
  
- See Section 2-1770.37

# Remember At FYE w/ Leases:

- Recorded in same ledger as lease liab
  - Record lease obligation due in FY2010 (Current)
  - Record accrued interest/main pay
  - Reverse during the next fiscal year
- Sum of lease accts must be zero (Act + EW)

69301/69301A	69303/69303A
69401/69401A/69403	69501
583300	

# Other FYE LT Debt Reminders

- Recorded in same ledger as LT liab
  - Record obligation due in FY2010 (Current liab)
  - Record accrued interest pay
  - Reverse during the next fiscal year
- Sum of debt accts that must be zero
  - 5831XX
  - 583600
  - 5837xx
  - 679XX
  - 69101
  - 69102



# INTANGIBLE ASSETS

# Capitalized Intangible Assets

- A legal right that lacks physical substance
- Useful life more than one year
- Meets the capitalization threshold
- Examples:
  - Patents/Trademarks
  - Easements
  - Copyrights
  - Software

# Software Subject to Capitalization

- Internally Developed
- Obtained for internal use
  - Can change code vs. license to use
- Upgrades/enhancements
  - Only if they increase functionality, efficiency or life

# Not Capitalized as Intangible if...

- Software is acquired or created primarily for obtaining profit or income
- Asset is result of a capital lease

# Costs Expensed:

- Preliminary Project Stage (current)
  - Conceptual formulation
  - Evaluation of alternatives
  - Determination of needed technology
  - Final selection of alternatives

# Capitalizable Costs

- Application Development stage (current)
  - Design of chosen path
  - Software configuration
  - Software interfaces
  - Coding
  - Installation to hardware
  - Testing, including parallel processing
  - Data conversion, if needed to make operational

# Capitalized Costs (cont.)

- Based on activity being done
- External costs
  - Materials/Services
- Internal Costs
  - Direct payroll/Payroll related costs
  - Interest rate charges
- Cease when operational

# Other Expensed Costs

- Post-Implementation (current)
  - Training
  - Software Maintenance
  - Data conversion, if not needed to make operational

# Coming Changes – GASB 51

- Software stages will slightly change
- Capitalization thresholds may change
  - Tiered?
- Effective FY2010

# Summary of (new)Software Stages

<b>PRELIMINARY STAGE</b>	<b>DEVELOPMENT STAGE</b>	<b>OPERATIONAL STAGE</b>
<ul style="list-style-type: none"> <li>- Determination of objective of project and feasibility</li> </ul>	<ul style="list-style-type: none"> <li>- Software is coded, tested and implemented</li> <li>- Management authorizes and commits to funding</li> </ul>	<ul style="list-style-type: none"> <li>- Software is accepted and operating</li> </ul>
<b>EXPENSED</b>	<b>CAPITALIZED</b>	<b>EXPENSED</b>

# Coming Changes – GASB 51

- Will require retroactive reporting
  - Assets acquired after June 30, 1980
    - Except for those:
      - Internally generated
      - Having indefinite useful lives
  - May be big impact on agencies, must record anything not already recorded
    - Actual Cost/Est Cost if actual not practical

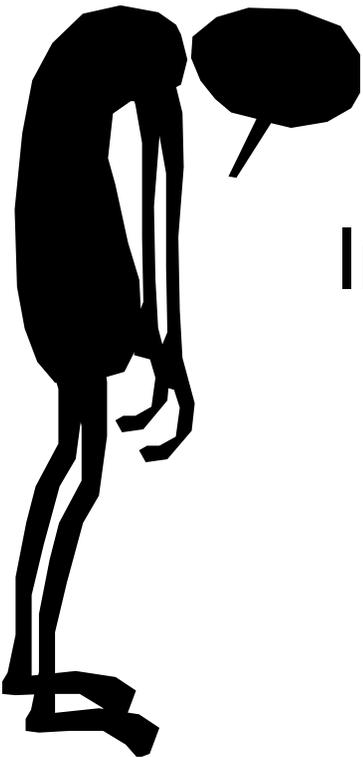


JUNE 2009



# Pollution Remediation

Implementing GASB Statement  
No. 49



# Whose idea was this?

- Provide more useful and comparable information
- Ensure that reasonably estimated liabilities are reported



# **GASB** Statement 49 scope and applicability

- Creates new accounting and reporting standards for pollution remediation
- Amends prior guidance on reporting long-term commitments
- Applies to all state and local governments
- Effective for periods beginning after Dec 15, 2007 (AKA: 2009 CAFR for the State of Montana)

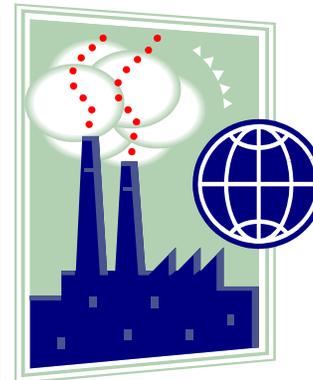
# Excluded from GASB 49

- Solid waste landfill obligations
- Nuclear power plant retirements
- Asset impairments and related recoveries
- Pollution prevention or control obligations related to current obligations
- Non-exchange transactions, such as federal or state redevelopment grants



# What is a *p*ollution *r*emediation obligation (PRO)

- o A PRO is an obligation to address the current or potential detrimental effects of existing pollution by participating in pollution activities.



# What activities do you ask???

- Obligations to clean up spills of hazardous substances
- Obligations to remove contamination such as asbestos
- Obligations to perform pollution remediation as part of brownfield redevelopment efforts
- Obligations to perform pollution remediation as part of remodeling or improvement project

# More, give me more?

- Pre-cleanup – site assessment, planning and feasibility studies
- Cleanup – remediation activities
- External governmental oversight and enforcement related activities
- Post-remediation monitoring

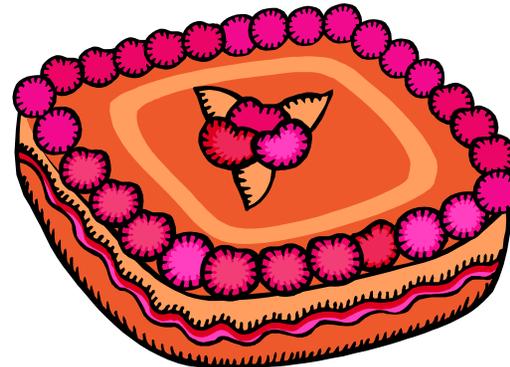


# What types of outlays???

- ❑ Should include all direct outlays, attributable to remediation activities:
  - Payroll and benefits
  - Equipment and materials
  - Legal and other professional services
  
- ❑ May include estimated indirect outlays
  - Including general overhead

# What outlays not to include

- Toxic torts
- Fines and penalties
- Product and workplace safety programs
- Litigation support involved with potential recoveries



# Lets reflect!!

- “We are ready for any unforeseen event that may or may not occur.”

-- Vice President Al Gore, 9/22/97

# Pollution remediation framework for recognition and measurement

- Obligating events
- Components and benchmarks
- Measurement – expected cash flow technique

# Obligating events

Only one of the five events need to occur

- The government is compelled to take remediation action because of pollution creates imminent endangerment to public health or welfare – leaving little or no discretion to avoid remediation
- The government is in violation of a pollution prevention-related permit or license, such as Resource Conservation & Recovery Act (RCRA)
- The government is named or there is evidence it will be named by a regulator as a responsible party or potentially responsible party (PRP)
- The government if named or evidence indicates it will be named in a lawsuit to compel the government to participate in remediation
- The government commences or legally obligated itself to commence cleanup activities or monitoring or operation and maintenance of the remediation

# Components

- A PRO liability should be recognized as the ranges of their components become reasonably estimable
  - Legal services
  - Site investigation
  - Required postremediation monitoring

# Components

- If you are doing remediation that is similar to others that have been done in the past on a recurring basis –
- The entire estimated liability should be recognized at this stage.



# Benchmarks – Estimated liability should be evaluated each time these occur

- Receipt of an administrative order
- Participation in a site assessment or investigation
- Completion of a corrective measures feasibility study
- Issuance of an authorization to proceed
- Design and implementation of the remedy through postremediation monitoring

# Measurement

- ❑ Based on the pollution remediation outlays expected to be incurred to settle those liabilities
- ❑ Measured at current value based on reasonable and supportable assumptions
- ❑ Measured using the expected cash flow technique
- ❑ Measures the liability as the sum of probability-weighted amounts in a range of possible estimated outcomes
- ❑ Use all expectations about possible cash flows



# Simple example

An estimated cash flow might be represented by discrete scenarios:

\$100	10%	=	\$10
\$200	60%	=	\$120
\$300	<u>30%</u>	=	<u>\$90</u>
	100%		\$220

Record the liability at the \$220

# Expected recoveries from potential responsible parties and insurance

- Recoveries **not** yet realized or realizable – net against remediation liabilities
- When recoveries become realized or realizable increase liability and report separate recovery assets (cash or receivables)
- Recoveries recognized after completion of remediation create an asset and revenue

# Capitalization of outlays

- ❑ Outlays will be reported as an expense when the liability is reported, but will be capitalized when goods and services meet the following test
  - Preparing property in anticipation of a sale (only up to the estimated fair value of the property)
  - To prepare property for use when the property was acquire with known or suspected pollution remediation (only outlays necessary to get the property in condition for use)
  - To perform pollution remediation that restores a pollution caused decline in service utility that was recognized as an impairment
  - To acquire property, plant and equipment that has a future alternative use (only to the remainder of the expected useful life)

# Disclosure Requirement

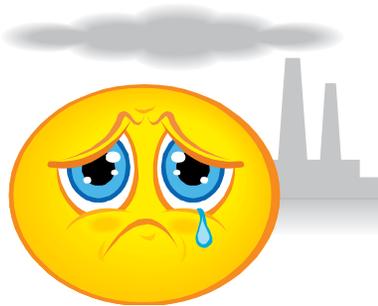
- For recognized liabilities and recoveries disclose to our office
  - Nature and source of pollution remediation obligation
  - Amount of estimated liability , methods and assumptions used for measurement and potential for future changes
  - Estimated recoveries
  
- If liability not yet reasonably estimable, provide a general description of nature of pollution remediation activities



# Contact

- Janet Atchison
- State Accounting Division  
444-4669

[jatchison@mt.gov](mailto:jatchison@mt.gov)





# Construction Work In Progress CWIP

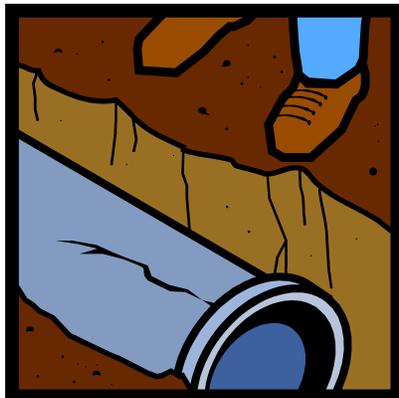
Alias: CWIP



# Definition of CWIP



- Buildings
- Software (intangible)
- Any project where a capital asset is being built.
- Projects not completed – record on AM
- MOM II, Chapter 1700, section 1760.94

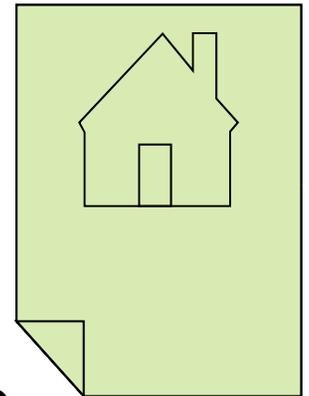




# Scenario

- We have a building that is being constructed during 2009 but will not be completed until 2010.
- Cost during 2009:

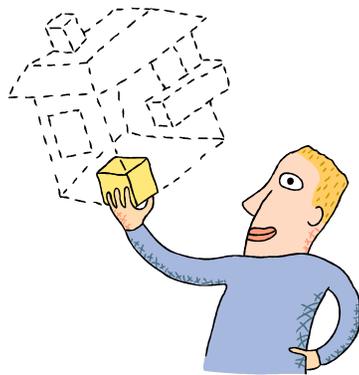
– Building	6xxxx	\$100,000
– Architect Plans	xxxxx	10,000
– Inspection Fee	xxxxx	3,000



# Building scenario

- Total cost \$113,000 – FY 2009
- AM Entry:

– Debit	1706	Construction Work in Progress	\$113,000
– Credit	1811	Capital Asset Clearing	(113,000)



# Agencies Responsibility

- Account 1811 needs to be zero at FYE
- Analyze the related expenditures
- Generate ONL journal reversing 1811 against the appropriate non-budgeted capital asset offset account.
- List of non-budget accounts listed in MOM II, chapter 1700, section 1750.30

# Clearing 1811

- Entry to clear the 1811:

– Debit	1811	Capital Asset Clearing	\$113,000
– Credit	6xxxx	NB Capitalization Expense	\$\$,\$\$\$
– Credit	6xxxx	NB Capitalization Expense	\$\$,\$\$\$
– Credit	6xxxx	NB Capitalization Expense	\$\$,\$\$\$

# FY 2010

- Building is completed
  - Reverse 1811 entry done at FYE 2009 (previous slide)
  - Retire the CWIP from AM
  - Add the completed building to AM
- Building not completed as of FYE 2010
  - Adjust CWIP for additional costs expended in FY 2010
  - Zero out 1811 at FYE (previous slide)

# Final

- If the completed building takes longer than two years, you would use fund balance for your 1811 reversal for prior prior adjustments.
- Keep making entries for as long as it takes.



# Other AM issues

YEAH – AM!!!!!!



# Disposals

- Do not use disposal code that will want to see proceeds on expensed or other asset (unless proceeds are applicable)
  - ✓ Sale
  - ✓ Exchange
  - ✓ Donation
- Best to use is scrapped



# Pxxx vs: Gxxx

- Pxxx are proprietary funds
- Actuals Ledger
  - 06 Enterprise funds
  - 065 Internal service
  - 085 Investment trust
  - 086 Private purpose trusts
  - 095 Pensions

# Continued

- Gxxx is used for Governmental funds
- Entitywide Ledger
  - 01 General fund
  - 02 State special
  - 03 Federal special
  - 04 Debt service
  - 05 Capital projects
  - 09 Permanent funds



# Split funded assets

- Can't have an asset on AM that is split funded by fund type – such as ½ governmental fund and ½ proprietary
- Assign to either the governmental or the proprietary fund, and then journal on ONL the part that belongs to other fund type



# Reports

- AM depreciation to GL depreciation
- AM cost to GL cost
- only problem is they will not be done until after we close AM in July



# 6/30/09 default

- Default date
- No changes that are effective dated for 2010
- Do not add new assets until after close
- No changes until after AM is closed



# Power

## State Accounting Division

- Delete asset
- Change data on asset
- Run the AM depreciation process



# Last but not least

- Sum 63xxx/64xxx net to zero
- 1811 must equal zero
- Inventory – must have a location
- Get all added and know they are right
- After AM generates a journal – do not change the fund.
- If you need to change field, go through basic add, not express add



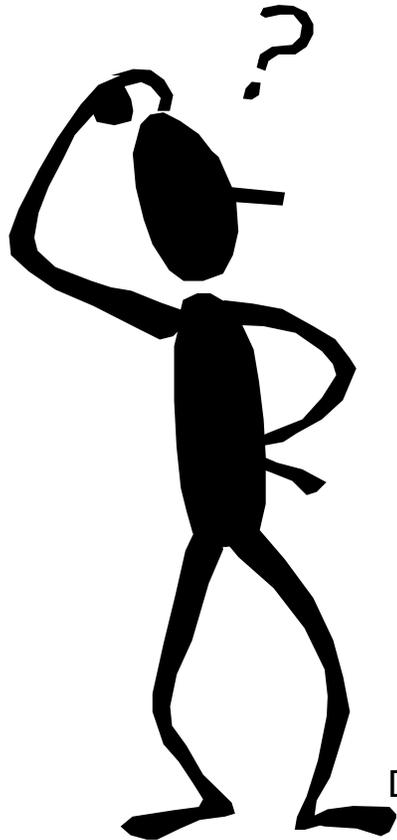
# Final joke

- What do accountants suffer from that ordinary people don't?



# Finally

- Done at last!!!!
- Questions



# GASB Statement No. 52

## Land & Other Real Estate Held as Investments by Endowments



- Affects Permanent and Term Endowments
- Perm Funds: 90xxx-09499
- University funds: >10000
- Private Purpose Funds: 086xx
- Doesn't apply to lands granted by the Federal Govt. in connection with a state being admitted to the U.S.

# GASB Statement No. 52

## Land & Other Real Estate Held as Investments by Endowments



- Changes the reporting of land and other real estate held as investments by endowments from historical cost to fair value
- No specific valuation method is required
- Must be reasonable
- Retroactive

# GASB Statement No. 52

## Land & Other Real Estate Held as Investments by Endowments



- Disclosures are required
- Chapter 1700 will contain the policy for this statement. Draft to be out for comment in next couple of weeks.



# OPEB



- Hasn't Gone Away
- Affects Internal Service Rates
- Journal entry will be done by DOA
- Liability for state will be last year's amount (times 2) plus interest on what was booked last year
- Journal entry to be done between June 15<sup>th</sup> and July 15<sup>th</sup>

# OPEB



- The Expense will be spread using same method as last year (CY payroll)
- I will be contacting agencies and notifying them of funds affected and requesting they provide necessary org and subclass for each fund.
- I will notify agencies when this journal has posted.

# OPEB



- GASB is looking at GASB Statements No. 43 and 45, but any changes will be very far in the future.

*Sorry*

# New Policies



## WORKING ON

- 2-7100 Financial reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, GASB 25
- 2-7160 Accounting for Pensions by State and Local Government Employers, GASB 27
- 2-7180 Pension Reporting, GASB 50, Amends GASB 25 and 27
- 2-2200 Accounting and Financial Reporting for Derivative Instruments, GASB 53

# New Policies (Cont)

- A derivative is a contract entered into by a state government and a private sector financial institution. The contract has settlement factors, which could be
  - One or more reference rates
  - Notional amounts.
  - Payment provisions on any combination
- It has leverage
- It can be settled net

# Deferred Revenue

- Review of Revenue
- Deferred Revenue
  - What is it?
  - When should it be recorded?
- Examples of entries
- Multi-Year Revenue

# Review of Revenue

- Revenue – Modified Accrual
  - Revenue must be:
    - Realizable
    - Measurable
    - Earned
    - Available

# Review of Revenue

- Revenue – Full Accrual
  - Revenue must be:
    - Realizable
    - Measurable
    - Earned

# Review of Revenue (cont)

- Revenue is Realizable when
  - It is probable that the amount will be collected

# Review of Revenue (cont)

- Revenue is Measurable when...
  - The precise amount is known because the transaction is complete, or
  - Enough information is known to provide a reasonable, although not necessarily precise, estimate of the net realizable revenue to be received

# Review of Revenue (cont)

- Revenue is Earned When ...
  - Services are rendered

OR

- Goods are sold and delivered

# Review of Revenue (cont)

- Revenue is Available When ...
  - Collected within the current period or soon enough thereafter to be used to pay liabilities of the current period
  - The State uses 60 days as the length of time to determine availability
  - Federal reimbursable grants and a legal commitment from the feds exist to pay expenses incurred

# Deferred Revenue

Revenue is deferred when...

- In Modified Funds:
  - Earned and not available, or
    - Must be revenue in Entitywide Ledger
  - Not earned
- In Full Accrual Funds:
  - Not earned
- MOM 2-1150.00

# Def Rev Ex 1 – Modified Accrual Fund

- Revenue Earned and not available
  - State Special Revenue fund is owed \$1,000 by an entity outside the State but will not receive the money until 95 days after June 30
  - To record A/R: (Actuals Ledger fund 02999)

Debit	1203	A/R – External	1,000
Credit	2505(A)	Deferred Revenue	1,000

# Def Rev Example 1 (cont.)

- Entry needed to convert previous entry to full accrual accounting

– Entitywide Ledger fund 02999:

Debit	2505(A) Deferred Revenue	1,000
Credit	5XXXXX Misc Receipts	1,000

# Def Rev Example 1 (cont.)

- Reversal entries after FYE:

- Actuals Ledger fund 02999

Debit 2505(A)	Deferred Revenue	1,000
Credit 5XXXXX	Revenue	1,000

- Entitywide Ledger fund 02999

Debit 5XXXXX	Revenue	1,000
Credit 2505(A)	Deferred Revenue	1,000

# Def Rev Example 1 (cont.)

- Entry to record the receipt of the cash

– Actuals Ledger fund 02999

Debit 1104	Cash	1,000
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Credit 1203	Accounts Receivable	1,000
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# Def Rev Ex 2 – Cash Rec'd / Revenue not earned

- A fund is paid \$1,500 by an entity outside the State for services that have not been provided

– Actuals Ledger (modified or full accrual)

Debit 1104	Cash	1,500
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Credit 2505(A)	Deferred Revenue	1,500
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# Def Rev Example 2 – (cont.)

- When the revenue is earned:

- Actuals Ledger

Debit 2505(A)	Deferred Revenue	1,500
Credit 5XXXXX	Revenue	1,500

# Def Rev Ex 3 – Full Accrual Fund

- Revenue is earned:
  - An enterprise fund is owed for services but will not receive the money for 95 days. (Not deferred revenue.)

## – Actuals Ledger fund 06099

Debit 1203	Accts Receivable	1,000
Credit 5XXXXX	Revenue	1,000

# Def Rev Example 3 – (cont.)

- Entry to record the receipt of the cash in next FY

– Actuals Ledger fund 06099

Debit 1104	Cash	1,000
Credit 1203	Accounts Receivable	1,000

# Def Rev Example 4 – Bill in advance

- A customer is billed in advance of the good or service being provided for \$2,500
  - Not recorded as Revenue
  - Not recorded as Deferred Revenue

# Multi-year Revenue

Definition: Any license or permit issued for a period greater than one year with periodic renewals.

- Electrical Board which issues licenses with a three year renewal cycle.
- Board of Realty Regulation which issues licenses with a two year renewal cycle.

Current policy is in MOMs chapter 2-1100 Revenues, receivables, and debt collection, section 2-1120.11

# Multi-year Revenue

## Revenue Recognition Methods

1. When license/permit issued
  - Not materially different from year to year

# Multi-year Revenue

## Example

- License/permits due every 3 years
- Fees collected
  - 2007 - \$60,000
  - 2008 - \$59,000
  - 2009 - \$62,000
- Average = \$60,000
- Earned each year when licenses/permits issued

# Multi-year Revenue

## 2. Revenue Deferral

- Materially different from year to year
- Deferred revenue recognized
- Recognized equally over the time period covered

# Multi-year Revenue

## Example

- License/permits due every 3 years
- Fees collected
  - 2007 - \$60,000
  - 2008 - \$30,000
  - 2009 - \$15,000
- Revenue must be deferred over the time period covered by the permit.

# Deferred Revenue

Assuming on 1/3/2009 a state agency collected fees for licenses and permits in the amount of \$40,000 from entities outside the state, and the license or permit fees are for a period of two years. Also assume the fees were initially recorded in the General Fund, and that per MCA, xx-xx-xxx, 10% of the revenues earned are to be transferred to the State Special Revenue Fund. Fiscal year end is June 30, 2009.

Assume that the following entries were made on 1/3/2009 when the fees were collected.

Actuals Ledger fund 01100

Debit	1104	Cash	\$40,000
Credit	5xxxx	Revenue	\$40,000

# Deferred Revenue (cont)

On June 30, 2009, revenue would be overstated by \$30, 000 (40,000-10,000) therefore the following correcting entries will be made to correctly state the revenue, as it was not 100% earned by 6/30/09.

Actuals Ledger fund 01100

Debit	5xxxx	Revenue	\$30,000
Credit	2505A	Deferred Revenue	\$30,000

# Deferred Revenue (cont)

To transfer 10% of the revenue earned above from the General Fund to the State Special Revenue fund.

Actuals ledger fund 01100

Debit 6xxxx	Transfer Out	\$1,000
Credit 1104	Cash	\$1,000

To record the transfer in the State Special Revenue Fund.

Actuals ledger fund 02999

Debit 1104	Cash	\$1,000
Credit 5xxxx	Transfer In	\$1,000

# Deferred Revenue (cont)

On 6/30/2010 the following entries will be made to record the revenue earned during 2010.

Actuals ledger fund 01100

Debit	2505A	Deferred Revenue	\$20,000
Credit	5xxxx	Revenue	\$20,000

To transfer 10% of the revenue earned above from the General Fund to the State Special Revenue fund

Actuals ledger fund 01100

Debit	6xxxx	Transfer Out	\$2,000
Credit	1104	Cash	\$2,000

# Deferred Revenue (cont)

To record the transfer in the State Special Revenue fund  
Actuals ledger fund 02999

Debit	1104	Cash	\$2,000
Credit	5xxxx	Transfer In	\$2,000

On 12/31/2010 the following entries will be made to record  
the remaining revenue earned during FY 2011.

Actuals ledger fund 01100

Debit	2505A	Deferred Revenue	\$10,000
Credit	5xxxx	Revenue	\$10,000

# Deferred Revenue

To transfer 10% of the revenue earned above from the General Fund to the State Special Revenue fund.

Actuals ledger fund 01100

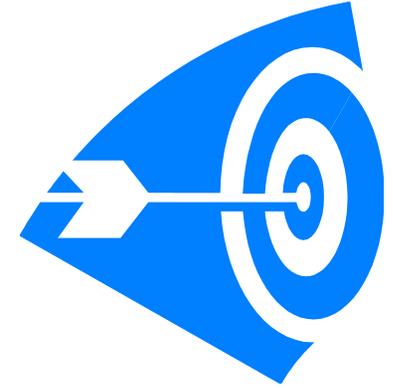
Debit 6xxxx	Transfer Out	\$1,000
Credit 1104	Cash	\$1,000

To record the transfer in the State Special Revenue Fund.

Actuals ledger fund 02999

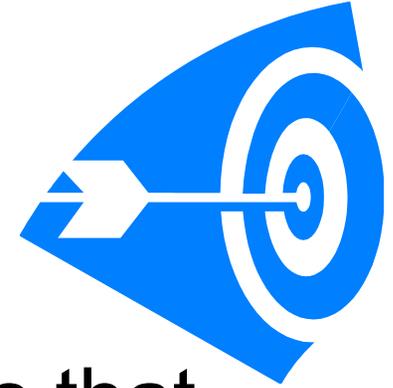
Debit 1104	Cash	\$1,000
Credit 5xxxx	Transfer In	\$1,000

# Prior Year vs. Current Year



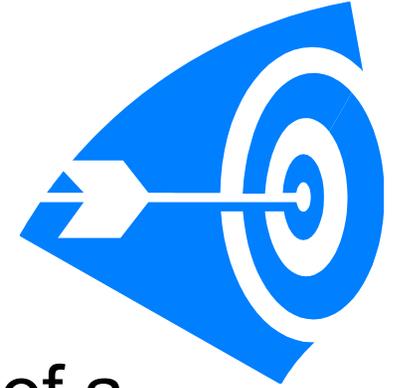
- Applies to modified accrual funds
- For those agencies that establish revenue accruals at FYE, be sure to follow MM 2-96-15 regarding the proper treatment when the monies are collected
- Prior year Revenue Adjustment
- Accrual Reversal
- Be Consistent
- Revenue and accrual entries that incorporate changes in tax distribution

# Prior Year vs. Current Year



- Section 15-1-501(6), MCA, requires that the distribution of tax receipts must be made in accordance with the provisions of the law governing the allocation of the tax effect for the period in which the tax revenue was recorded for accounting purposes.

# Prior Year vs. Current Year



- Periodically, changes in the distribution of a particular tax occur at the beginning of the fiscal year and the receipts collected in the first 60 days of the fiscal year are distributed differently than the same tax revenue accrued at the end of the previous fiscal year. Entries must be made to adjust the distribution of the tax receipts received in the current fiscal year that are attributable to the same tax revenue accrued in the previous fiscal year.

# “A” and “B” Accruals



- Definitions
- Criteria for “A” Accruals
- Examples of “A” and “B” Accruals
- Common Mistake to avoid
- Continuing Approps – dos and don’ts
- Old Accrual FYE Clean-up
- New Accruals
- Paying Accruals

# Definitions



- “A” Accruals  
Items/services received after June 30<sup>th</sup>  
Not to be used for continuing appropriations
- “B” Accruals  
Items/services received before June 30<sup>th</sup>, but  
not paid until fiscal year 2010
  - Remember it is the person approving the accruals  
responsibility to verify that the accrual meets the  
valid obligation criteria and that supporting  
documentation is sufficient to prove it.

# Criteria for “A” Accruals



- First consider legislative intent.
- Materials/supplies – if PO was issued
- Services – if valid agreement
- Equipment – if PO was issued
- Contracts or MOU – if signed

# Example of “A” accrual



- Example of “A” accrual:

Valid – Signed contract to receive legal services, but services will not be completed until July 2009. This can be encumbered and is a valid “A” accrual.

Invalid – 2010 remodel project, no contract or memo of understanding signed by June 30, 2009; cannot encumber and is not a valid “A” accrual.

# Example of “B” accrual



- Example of “B” accrual:

Valid – Contract for computers are delivered on June 30, 2009, and not paid until after this date.

- 2-8100: for more detailed information and journal examples.

# Common Mistake to Avoid



- Unbalanced A-Accrual (encumbrance) journals
  - SABHRS will allow unbalanced A-Accrual journals to post
  - Applies to establish, adjust, and reverse A-accruals
  - To avoid this, make sure that the journal lines balance in total and within each fund
  - If the system adds cash lines, you must remove them before posting

# Common Mistake to Avoid



- You can eliminate these cash lines by fixing the balances by fund and running the edit check
- Balanced A-accrual journals with cash lines are incorrect and must be corrected prior to the fiscal year-end close

# Continuing Approps – Do's and Don'ts



- On continuing appropriations, if your org budget goes negative, you must fix before end of FYE
- Prior year activity on a continuing approp is not carried forward to the new year, so adjustments to these approps must be made against the current year budget. The program year must be the current year.

# Continuing Approps



Continuing Approp invoices for 2009, cannot be paid in the normal fashion during this period.



Continuing Approp invoices for 2010, cannot be paid in the normal fashion during this period.



# Old Accrual FYE Clean-up



- Each agency is responsible for closing all accrual balances that will not be paid during fiscal year-end or continued into a future period by July 15, 2009
- When do you need a zero dollar budget
  - When you have been paying on the accrual
  - When you have not been paying on the accrual and you want to close it

# Old Accrual FYE Clean-up



- Need Approp/Org budget when...
  - you have not been paying on the accrual (Applies to B-Accruals)
- See MOM Vol 2-8145.21 for journal entries on B-Accrual clean-up
- See MOM Vol 2-8145.22 for journal entries on A-Accrual clean-up

# New A-Accruals



- Make sure your open item key means something
  - It must be unique
  - Don't use as a revolving account
  - Use the year it was appropriated in the name
- The legislature requests a report from DOA showing how old these accruals are; when the open item key is not unique and is recycled, there is no way to determine the age of these accruals.
- Don't increase prior year accruals. Set up a new accrual.

# New Accruals



- Use account 2301B for B-Accruals and 2403 for A-Accruals.
- The actuals ledger shouldn't have a 2403 balance
- To bring forward an accrual from the previous year, a \$0 org and approp budget needs to be brought forward into fiscal year 2010; this is done automatically. The program, subclass, and org associated with them must be included in all 2403 accruals. If any of these are missing, you must do a G/L journal reversing the original 2403 and adding these fields. If this is not done, the budget will not be carried forward and a manual request will have to be made through OBPP.

# Paying Accruals



- Remember you must first reverse the accrual entry before you pay for the item or service

# FYE Dates/Reminders

MOM 2-8100



# FYE - Dates

June 29	Last Day to Submit warrant cancellations/rejected EFT's
June 30	Last day to deposit FY09 money – Treasury open until 5:00
July 1	Begin submitting FY10 entries

# FYE - Dates (cont.)

July 14 (noon)	Last day for FY09 vendors
July 15	Last day for AP, AR & AM
July 16	“A” Accrual Carryforward letters due
July 17 (noon)	Final day for regular processing of 2009 BCD’s by OBPP

# FYE Dates (cont.)

July 17& 23	Mid-month org reports available
July 22	Last day to submit adjusting / correcting entries for FY09
July 23	Review reports and fix errors
July 24	Correction of errors / Closing to run

# FYE Default Dates

Module	Period	Default Accting Date
Accounts Payable	July 1 <sup>st</sup> – July 15 <sup>th</sup>	June 30 <sup>th</sup>
General Ledger	July 1 <sup>st</sup> – July 22 <sup>th</sup>	June 30 <sup>th</sup>

# FYE AM Dates

- Transaction date must be changed to reflect the in-service date of the asset
- Accounting date will be June 30<sup>th</sup> until 7/15/09
- Do not enter FYE10 assets until after closing (7/24)
- Modification of status fields on existing assets cannot be done until after 7/15
  - For ex. - Location

# FYE A/R Dates

A/R will not have a default date

*Accounting Date on Totals Page*

**MUST MATCH**

*Accounting Date on Payments Page*

# SABHRS Finance Hours

- Monday – Friday
  - 6:00am – 8:00pm
- Saturday
  - 11:00am – 9:00pm
- Sunday
  - 7:00am – 9:00pm

# Budget vs Actual Expenditures

- Agencies are responsible for ensuring all budgeted expenditures have properly processed through commitment control
- Queries to ensure budgets are accurately reflected:
  - MTGL\_KK\_V\_ACTUALS\_EXP
  - MTGL\_KK\_V\_ACTUALS\_REV

# Budget Journals

- Agencies need to ensure that fiscal year matches budget period
- SABHRS has created a new edit to monitor this process
  - You will receive an error message if you try to enter a budget journal that has a fiscal year with a budget period that does not match.

# BUDGET JOURNAL EXAMPLE

<b>Budget Period</b>	<b>Fiscal Year</b> (Defaults Based on Journal Date)	<b>Journal Date</b> (Defaults to Current Date)
2009	2010	7/1/09

# Zero balance Accounts

- Must be zero at FYE when the balances in the actuals and entitywide ledgers are combined
- List is found in 2-8130.00
- Deal primarily with debt
  - Entries detailed in MM 2-03-05

# Clearing Accounts

- Must have a zero balance in both the actuals and entitywide ledger
- Detailed list in 2-8130.00
- Ex: 2506 – Uncleared Collections

# Maintained Accounts

- Document must be approved by DOA – Accounting Bureau
- Can be used on vouchers, deposits or general ledger journals

# Negative Cash

- Each fund in total must have a positive cash balance at FYE
- Administering Business Unit is responsible for monitoring positive balance
- STIP deadline is 2 p.m. on June 29<sup>th</sup>
  - See BOI memo for further information

# PAYMENT / VENDOR ISSUES



# MOM 2-1600.00

- Dealt with Warrant Writer policies and procedures
- Will be adopted in next couple of weeks
- Effective 9/1/09
  - Will require W-9/W-8 on all new vendors
    - Except for those allowed in policy
  - TIN cannot be used as vendor number

# Timely Payment

- Pursuant to MCA 17-8-242

A state agency shall pay interest of .05% per day on amounts due for supplies and services received if the agency fails to make timely payments

# Timely Payment (cont.)

- Payment is timely if made per applicable contract or agreement
- If no contract or agreement exists, payment is timely within 30 days of:
  - (whichever is later)
    - Receipt of properly completed invoice; or
      - Per legal, when required W-9/W-8 must be received
    - Receipt of supplies or services

# Timely Payment Exemptions

- Pursuant to 17-8-244, 17-8-242 does not apply to:
  - Interagency or intergovernmental transactions
  - Claims subject to a good faith dispute brought before a government agency or court
  - Delinquencies because of natural disasters, disruptions in postal services, labor disputes, power failures, or other circumstances clearly beyond the control of the payer agency
  - Wages due to state employees or payments from state retirement systems
  - Claims pertaining to providers of supplies or services under the Montana medicaid or worker's compensation program if reasonable cause for nonpayment exists

# Payments - Electronic

- Wire
  - Require Treasury Approval
  - Initiated/Completed same day
  - Cannot be 1099-MISC applicable
  - SABHRS AR Module
- ACH
  - Can be 1099-MISC applicable
  - SABHRS AP Module
- Card Programs (ex – EBT or ReliCard)

# Payments - ACH

- Can be included on interface files
- Reduces stale-date review/reissue work
- Vendor can have money in bank sooner
- Less chance of fraud (as reported by banking industry)
- **SAVES AGENCIES MONEY**
  - No Advice or eMail Advice

# ACH eMail vs Mailer Advices

- eMail Advices –
  - Field on vendor form
  - Attached to payment location
  - Can be used w/ voucher interface files
    - See SABHRS Payments/AP Interface Doc
  - Receipt of eMail's can be tracked
  - SAVE AGENCIES MONEY
    - No cost to agencies for eMail advices

# ACH eMail Advice

From: PeopleSoft@peoplesoft.com Sent: Tue 5/26/2009 9:27 AM  
To: Nason, Berta  
Cc:  
Subject: Direct Deposit Information-Test

 Message |  MTAP6654\_1157785.PDF (41 KB)

The State of Montana has sent \$171.22 by direct deposit to your account. Detailed information regarding this deposit is in the attached PDF. PLEASE DO NOT REPLY TO THIS EMAIL.

# ACH Advice Information

MTAP6654\_1157785 (2).pdf - Adobe Reader

File Edit View Document Tools Window Help

1 / 1 100% Find



State of Montana  
Department of Administration  
Notice of Direct Deposit

Date	Reference Number
05/26/2009	0001745593

KIRBY CONLEY

Agency	Agency Name
3401Z	Insure Montana

Bank ID	Bank Account Number	Vendor Id	Settlement Date	Total Paid Amount
			04/19/2007	\$171.22

Invoice Number	Invoice Date	Voucher Id	Voucher Paid Amount
MAR07	04/01/2007	00000327	\$171.22

1\_800\_332\_6148  
INSURE MONTANA

INSURE MONTANA PROGRAM

PAYMENT

Start 4 Micros... MINE - Mo... AesWithM... tlkpDL\_Fn... MTAP665... MTAP665... Microsoft... SnagIt Cat... SnagIt Edit... 10:03 AM

# WWU Rates for FY10/11

RATE	FY2010	FY2011
ACH – eMail advice or NO advice	.1223	.1153
ACH – Mailer Advice	.7623	.7753
Mailer	.7212	.7245



# Stale-Date Warrant Review

- Each month agencies should be reviewing the Stale-Date report on Doc Direct
- Is the payee still entitled to the money?
  - Yes. Can warrant be re-issued?
    - Review agency information to determine if a better address is available?
    - Has recent correspondence been answered by payee and warrant should be re-issued
  - No. Request funds to be returned to agency.

# Other WWU Reminders

- Many vendors will have the same address but different banking information (location)
  - Please review when selecting for payment
- The WW staff routinely rotates job-duties
  - Stale-date/Replacements - Vendors
  - Copies of Cashed Warrants

# ProCard and FYE

- July 1<sup>st</sup> –
  - Default program code for ProCard transactions change from 09 to 10
  - Agencies need to start and monitor subsequent transactions to ensure that the correct Program Code is used

# ProCard and FYE (cont.)

- July 7<sup>th</sup> –
  - SABHRS will create ProCard jrnl for outstanding June ProCard transactions not included on the 6/23/09 jrnl
    - Cash will not be used
    - NOTE: The default fund offset entries will not be on this journal, but will appear on the 7/30/09 jrnl
    - See ProCard example 1 on handout

# ProCard and FYE (cont.)

- July 8<sup>th</sup> – July 23<sup>rd</sup>:
  - Agencies need to monitor subsequent transactions to determine the need to accrue outstanding ProCard transactions
  - MTPO\_PROCARD\_PURCHASE\_DTL Query
    - Org (like)
    - Fund (like)
    - Post Date (between)
    - Returns POST\_DT and TRANSACTION\_DT

# ProCard and FYE (cont.)

- July 23<sup>rd</sup> –
  - DOA will create the ProCard IU journals to receive the cash from the agencies (Example 3 – on handout)
  - After US Bank is paid (Example 2 – on handout)
  - FYE 10 cash

# ProCard and FYE (cont.)

- July 30<sup>th</sup> –
  - SABHRS will create the agency ProCard Journals
  - Cash will not be balanced on these journals
    - Agencies need to manually balance cash by Fund with offset to 2101A
  - Agencies need to make sure correct Program Code is used
    - Refer to the JRNL\_LN\_REF field
  - Journals will include 2 sets of default fund entries
  - Example 4

# Other Misc Issues



# Travel Policy

- No change in in-state or out-of-state lodging and meal reimbursements
- No change in mileage reimbursement
  - Standard rate 26.5/mile
  - High rate 55/mile
    - 52/mile > 1000/month

# Travel Policy Change

- Out-of-Country Lodging and meal reimbursements (MCA 2-18-501(4))
  - Lodging up to \$155/night
  - Meals \$36/day
  - Actual costs may be paid
  - Will require receipts for lodging and meals



