

Enterprise vs State Special Revenue Funds

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1

Basic Principles of Fund Accounting

- Accounting system must present activities:
 - Present activities in accordance to GAAP
 - Demonstrate compliance w/ legal/contractual provisions
- Fiscal / accounting entity segregated for purpose of carrying on specific activities / certain objectives
 - Self-balancing set of accounts
- Minimum number of funds should be maintained as required by law/sound financial administration

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2

Fiduciary Funds

Pension Trust Funds	Resources held in trust for members/beneficiaries of retirements plans
Investment Trust Funds	Accounts for external portion of investment pools (i.e., local govt share of STIP)
Private Purpose Trust Funds	Resources held per a trust agreement - where the principal and income benefit individuals, private organizations, or other govt's
Agency Funds	Resources held in a purely custodial capacity

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3

Proprietary Funds

Enterprise Funds	Reports activity for which a fee is charged to external users for goods or services
Internal Service Funds	Reports activity that provides goods or services to other funds or departments on a cost-reimbursement basis

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Governmental Funds

General Fund	Main operating fund and used to report resources not accounted for in another fund type (can only have 1)
Special Revenue Funds	Proceeds of specific revenue resources for specific expenditure purposes
Capital Projects Funds	Resources used for expenditures pertaining to specific capital outlay
Debt Service Funds	Resources used for expenditures pertaining to specific debt service payments
Permanent Funds	Resources for which only earnings not the principal can be used to support governmental operations

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5

What is a Special Revenue Fund?

- “Account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects”
 - Many times required by statute
 - May be used for administration of programs

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State / Federal Special Revenue Fund Statute

- Per statute – (MCA 17-2-102)
 - One State Special Revenue Fund (SSRF)
 - One Federal Special Revenue Fund (FSRF)

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Account/Subfund

- Term used in statute to segregate money within funds created in MCA 17-2-102
 - “There is an account in the special revenue fund to”
 - Certain programs’ special revenue account

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8

What is an Enterprise Fund?

- “**MAY** be used to report any activity for which a fee is charged to external users for goods or services” (emphasis added)

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9

An Enterprise Fund must be used...

- Public entity risk pool
- Unemployment compensation benefit plans

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Enterprise funds also used for

- Must be used when the principal revenue sources relate to:
 - Outstanding debt backed solely by fees/charges
 - Law require fee/charges be set to recover costs, including depreciation
 - Management establishes pricing policy that fees/charges be set to recover costs
- Not required if revenue insignificant to cover principal activities of fund

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11

Licensing Boards - Currently

- Special Revenue Fund
 - Can be used for proceeds of specific revenue sources
 - Can be statutorily required
 - Per statute, an account within State Special Revenue Fund
- Enterprise fund not required to be used
 - If defined as a separate enterprise fund in statute
 - Analysis would be needed at that time to determine proper GAAP reporting

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12

Licensing Boards – In Summary

- No compelling reason from a GAAP perspective to reclassify from State Special Revenue to Enterprise Fund
- Based on:
 - Does not meet the requirements as outlined within GAAP that mandate Enterprise Fund reporting
 - No statutory requirement to be reported as an Enterprise Fund
 - Consistency with prior year reporting