

Denning, Downey & Associates, P.C.

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Letter from an Auditor

Dear Montana Local Government:

As I write this most of you are finishing up your budget for the year and trying to wrap up your financials (in addition to your normal work, wink wink). Busy times for sure. If you have any questions whether you are our client or not feel free to call or email. I'll do my best to get back to you as quick as possible.

Our office is definitely cranking up as well. All the staff that took the summer off are now back to work, and we have received about 25% of the records we requested from our clients. So, it's off to the races for another year.

Rise of the YOLO's

Everyone is asking the question lately "Where did all the employees go?". It reminds me of the TV series "The 4400", where people are simply whisked off the planet. Being a Google expert, I conclude the fault of everything is COVID. 😊 Let me explain.

Because of COVID:

- **People moved around.** Partially due to being able to work remote and partially due to folks thinking the grass is greener somewhere else.
- **People changed careers.** A survey by flexjobs concluded that higher pay isn't the No. 1 motivator, rather a better work-life balance ranked #1 with pay coming in #2. According to the Local Area Unemployment Statistics program, MT governments lost 1,100 jobs between Feb 2020 and July 2021.
- **People retired early.** While this comment seems reasonable, according to Bloomberg, "The number of people who received retirement benefits rose 900,000 to 46.4 million in March 2021 the smallest year-over-year gain since April 2009".
- **Unemployment benefits keep people from looking for work.** Montana ended enhanced unemployment benefits in June 2021. It might take households a couple months to feel the burn from smaller checks to motivate folks to look for a job.
- **More stay-at-home parents.** When schools shut down and daycares closed more parents chose to stay home rather than go to work. According to the US Census Bureau around 1 in 5 working-age adults said the reason they were not working was because COVID disrupted their childcare.

Bob's conclusion: COVID made a lot of people reassess their lives. They changed how they work, where they live, and the quality of life. Basically, a nationwide mid-life crisis. The catchphrase YOLO "You Only Live Once" seems to summarize a lot of the attitude.

GASB GASB GASB (Marsha Marsha Marsha)

First who is the GASB? The Governmental Accounting Standards Board (GASB) is the organization that establishes Generally Accepted Accounting Principles (GAAP) that guides everything we do in governmental accounting. A year ago, the GASB issued Statement 95 which effectively delayed (due to Covid) the implementation of several GASB's that were due to go into effect. Below is a summary of the new GASB's and their new effective implementation dates:

For Fiscal Year Ended June 30, 2021

- Statement 84 Fiduciary Activities
- Statement 90 Majority Equity Interests
- Statement 93 Interbank Offered Rates

For Fiscal Year Ended June 30, 2022

- Statement 87 Leases
- Statement 89 Construction-period Interest
- Statement 92 Omnibus
- Statement 97 Certain Component Unit Criteria and Section 457 Plans

For Fiscal Year Ended June 30, 2023

- Statement 91 Conduit Debt
- Statement 94 Public-Private Partnerships
- Statement 96 SBITAs

GASB 84 Focuses on the T&A (Trust and Agency)

It requires you to analyze all of your Trust and Agency funds for possible reclassification to a governmental or business fund. To oversimplify, if your government has (1) control over the T&A asset and (2) benefits from the use of the T&A assets then it might have to be reclassified.

In a recent staff meeting we looked at the effects of **MOST** of the local governments we audit.

- **Cost** – In the first year of implementation it may take your auditor a couple hours to evaluate whether you have to reclassify funds.
- **New Financials** – Fiduciary funds must now have an income statement. Depending on the fund this may be as easy as running a cash activity report or more complex if more detail is required.
- **Reclassing funds** – This is where things can get sticky. Reclassing funds (from the beginning of the year) not only takes time (think \$) but also can create budget problems (these funds have no budgets). Again, in most cases this will probably not be necessary due to the relatively small size of the funds. (Cross your fingers and toes as you do the evaluation)

BTW – Darla from Local Government Services bureau created a snazzy PowerPoint presentation. You can find it at <https://sfsd.mt.gov/LGSB/Training/GASB-84-87-CAP.pdf>

What about Bob?

Just a short Bio of my life.

- I am **not** the neurotic character in the movie played by Bill Murray
- Voted “Most likely to be an auditor in HS 1982”
- Won the 10 key championship in South Seattle
- Graduated in 1987 from PLU, worked in Seattle as an auditor for 4 years
- Moved the heck out of Seattle to Bigfork in 1991
- Audited for the State of MT 1992-1994
- Started D&D CPA’s (with other partners in 1994)
- Used to own a Yak (I’ll only tell you the story over beer)
- I’m blessed with a loving beautiful wife (she says nerds are cool)
- I like to write using lots of bullets

Well that about sums up this month’s newsletter.

Check out our website for past issues. www.ddaudit.com

Thanks, and enjoy what’s left of the Summer.



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Shareholder of Denning, Downey and Associates CPA’s P.C.

Thought for the day: Electricians need to strip to make ends meet