

LOCAL GOVERNMENT SERVICES BUREAU
STATE FINANCIAL SERVICES DIVISION



**GASB STATEMENTS
#84 AND #87
&
CORRECTIVE ACTION PLANS
(CAPS)**

Presented by:
Darla Erickson

406-444-9101
LGSPortalRegistration@mt.gov
<http://sfsd.mt.gov/LGSB>

1

LEARNING OUTCOMES

GOAL 1

GASB 84 Fiduciary Activities
and GASB 87 Leases

GOAL 3

CAP update

GOAL 2

Changes to the financial
statements & BARS Chart of
Accounts

GOAL 4

LGSB Happenings



2

GASB 84 Fiduciary Activities: a brief introduction

GASB 84 Fiduciary Activities

- Effective for fiscal years beginning after December 15, 2019 or FY2021 (7/1/2020-6/30/2021).
- Defines fiduciary activity for reporting purposes.
- Changes how fiduciary activities are treated in the financial statements by reporting trust funds and custodial funds.
- Four types of fiduciary funds are described:
 1. Pension trust funds;
 2. Investment trust funds;
 3. Private-purpose trust funds; and
 4. Custodial funds formerly known as agency funds.



GASB 84 Fiduciary Activities: a brief introduction

GASB 84 establishes criteria for identifying fiduciary activities.

- ❖ Does the local government control the assets of the fiduciary activity?
- ❖ Who are the beneficiaries with whom the fiduciary relationship exists?

Other criteria are used to identify fiduciary component units and postemployment benefit arrangements, which are fiduciary in nature.

GASB 84 provides for the recognition of a liability to beneficiaries when an event occurs compelling the government to disburse fiduciary resources.

Some things to know:

- ❖ Who controls the assets?
- ❖ What is the source of revenue?
- ❖ Who are the beneficiaries?

Retroactive implementation is encouraged, and notes should be updated appropriately.



Fiduciary Funds – the Basics

A fiduciary fund is used to report assets for fiduciary activities held in legally established trust funds or similar arrangements or in a custodial capacity by a government.

Statements are presented using economic resources measurement focus and the accrual basis of accounting.

Financial statements include:

- ❖ Statement of Fiduciary Net Position; and,
- ❖ Statement of Changes in Fiduciary Net Position.

Trust Funds, including pension trust, investment trust, and private-purpose trust funds, must meet specific criteria to be reported as trust funds.

Custodial funds report fiduciary activities not held in a trust or an equivalent arrangement.

These funds are included in the Basic Financial Statements of an entity.



Fiduciary Funds – definitions

An **exchange or exchange-like transaction** involves equal or approximately equal value given and received, while **non-exchange transactions** are those where value is not given and received.

Own source revenues are those revenues generated by the government itself.

A government has **control of the assets** of an activity if the government holds the assets or directs the use, exchange, or employment of the assets in a manner providing benefits to the specified or intended recipients.

Administrative involvement occurs when a government monitors secondary recipients for compliance, determines eligible secondary recipients or projects, and has the ability to exercise discretion in how funds are allocated.



Fiduciary Funds – definitions

Fiduciary fund financial transactions use the **economic resources measurement focus**, which records transactions when they occur, regardless of when cash is received or disbursed. Similar to a proprietary fund.

Fiduciary fund financial statements are presented on a **full accrual basis** which recognizes increases and decreases in economic resources as soon as the underlying event or transaction occurs. This presentation is similar to a proprietary fund, also.



Fiduciary Funds – definitions

GASB 84 outlines criteria to be used when identifying **other fiduciary activities**, and all criteria must be met.

Paragraph 11 of the statement:

- a. The assets are controlled by the government.
- b. The assets are not derived from (1) the government's own-source revenues or (2) government-mandated or voluntary non-exchange transactions.
- c. The assets have one or more of the following characteristics:
 1. The assets are (a) administered in a trust in which the government is not a beneficiary, (b) dedicated to providing benefits to recipients, and (c) legally protected from the creditors of the government.
 2. The assets are for the benefit of individuals, and the government does not have administrative involvement.
 3. The assets are for the benefit of organizations or other governments not part of the financial reporting entity.



Fiduciary Component Unit

Component units are established according to criteria in GASB 14, as amended, The Financial Reporting Entity.

A fiduciary component unit may be:

- ❖ A Pension or OPEB Plan under GASB 67, 73 or 74;
- ❖ A non-pension or non-OPEB plan meeting specific criteria;
- ❖ A non-component unit which is a pension or OPEB plan under GASB 67, 73, or 74;
- ❖ Or other types of fiduciary activity meeting specific requirements.

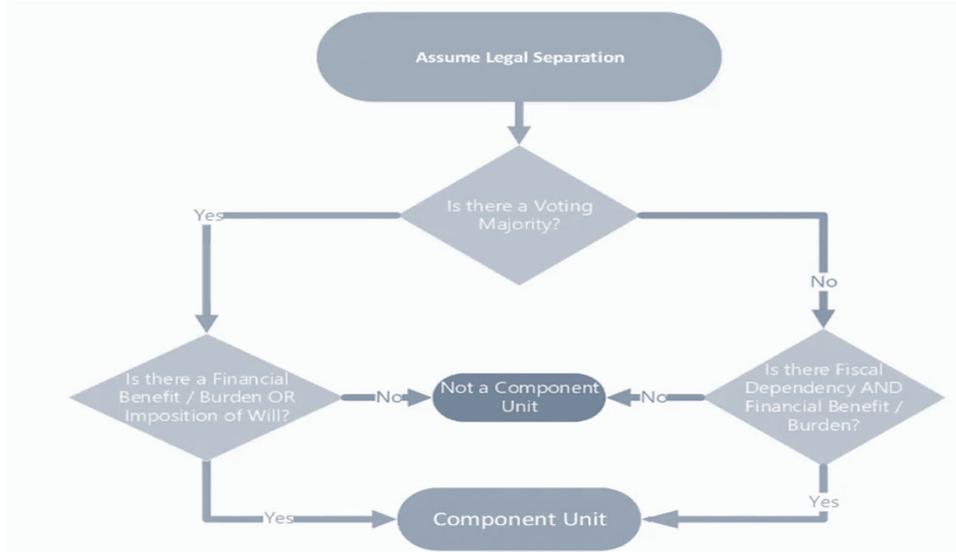
If applicable and more than one fiduciary component unit reported, information is combined and aggregated for presentation in the primary government's fiduciary fund statements.

Assets of the component unit controlled by a primary government are not factors determining a fiduciary component unit.

GASB 84 outlines specific criteria if a pension or OPEB arrangement is not a component unit.



Fiduciary Component Unit



Trust Funds

Pension and other employee benefit trust funds report resources accumulated to fund pension and OPEB plans defined in GASB 67, 73, or 74 and other OPEB plans meeting specific requirements shown below.

Other OPEB plan requirements are:

- The local government is not a beneficiary;
- The fund resources are dedicated to providing benefits to recipients in accordance to benefit terms;
- The fund resources are legally protected from the creditors of the local government; and,
- Contributions to the trust and earnings on the contributions are irrevocable.

Investment trust funds report the external portion of investment pools held in a qualifying trust meeting criteria of 11(c)1.

Private-purpose trust funds are funds held in a qualifying trust meeting the criteria of 11(c)1 and not required to be reported in Pension or Investment Trust Funds.

- These funds usually have a specific purpose.



Custodial Funds

Custodial funds report fiduciary activities not held in a trust or an equivalent arrangement.

Formerly known as Agency Funds.

Both the Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position will be required even if you only custodial funds.

The external portion of investment pools not held in a trust meeting the criteria of 11(c)1 is now reported in the custodial fund classification of the fiduciary fund statements and presented in a separate column.

Significant reporting changes include:

- ❖ Reporting net position for custodial funds;
- ❖ FDRA's will be reported as a custodial funds; and
- ❖ Aggregate reporting of additions and deductions to custodial funds will be allowed if held and disbursed within three months.



Do I need to report a fiduciary fund?

GASB has created flow charts to use to determine whether or not a fiduciary activity is reported.

One of the first questions to ask – is there a qualifying trust in place?

Identify potential fiduciary activities. Maybe a checklist or a review of your current agency funds.

Identify what type of fiduciary fund you may need to report.

Identify when you may need to report a fiduciary fund liability.

Other items to help determine fiduciary fund reporting include

- ❖ Related documents;
- ❖ Who or what entity provides the resources;
- ❖ What is the purpose of the resource; and
- ❖ Who are the potential beneficiaries?



From GASB 84 flow charts

Are assets held by a component unit as defined in GASB 14, as amended?
And are they held for pension arrangements or OPEB arrangements?

- ❖ If yes, they will probably be reported in a fiduciary fund.

Does the government control the assets?

- ❖ If yes, they will possibly be reported in a fiduciary fund.

Are current agency funds now a custodial fund?

- ❖ Maybe and maybe not – depends on GASB 84 criteria.

The flow charts in GASB 84 can be used to assist in the determination of a fiduciary activity.

Following the steps and answering the questions in the flow chart should be included in the process of identifying fiduciary activities.



Chart 1 – Flowchart for Evaluating and Reporting Potential Fiduciary Activities

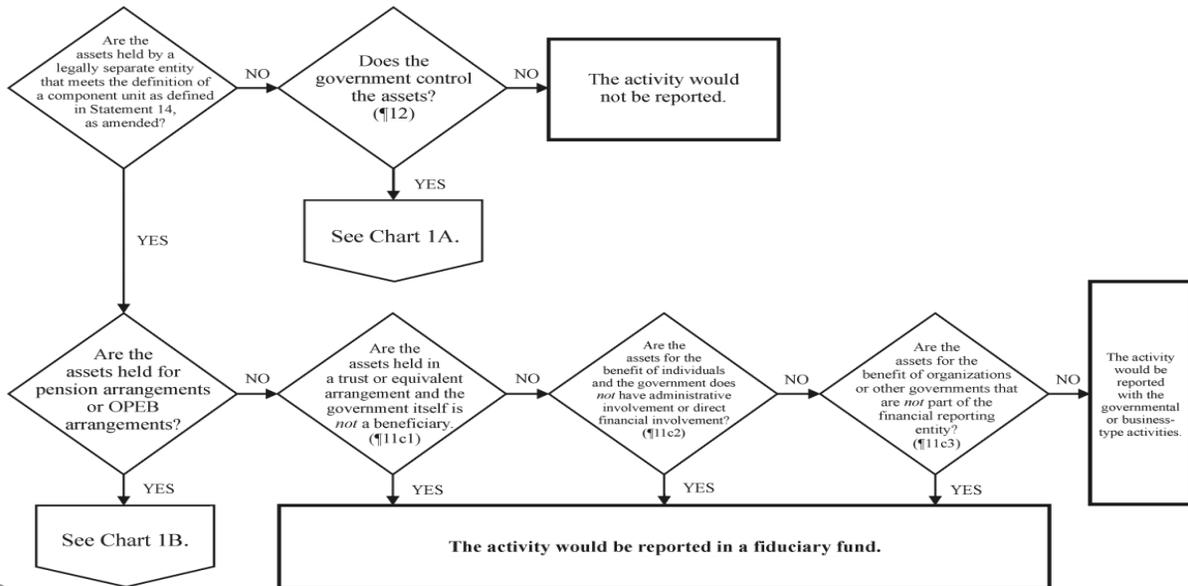


Chart 1A – Are agency funds now a fiduciary activity?

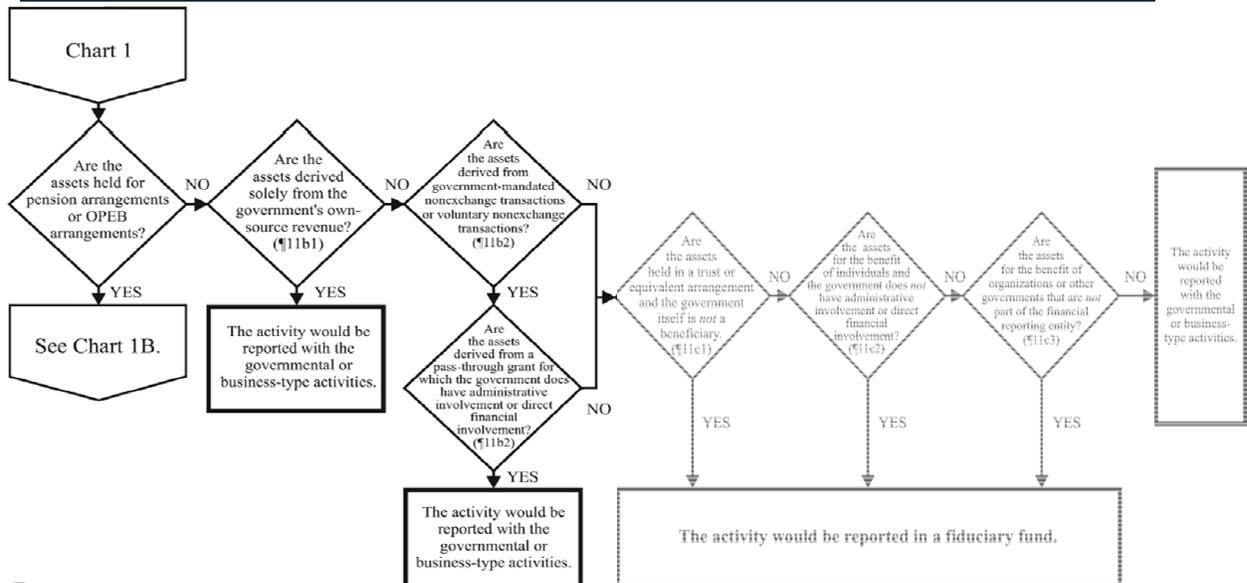


Chart 1B – Is a FDRA a fiduciary activity?

For the FDRA we come to Chart 1B

Is the pension plan within the scope of other GASB guidance?
 ¶6a-b (component unit and administrated through a trust?) or
 ¶10a-b (not component unit and administrated through a trust?)
 Answer: no

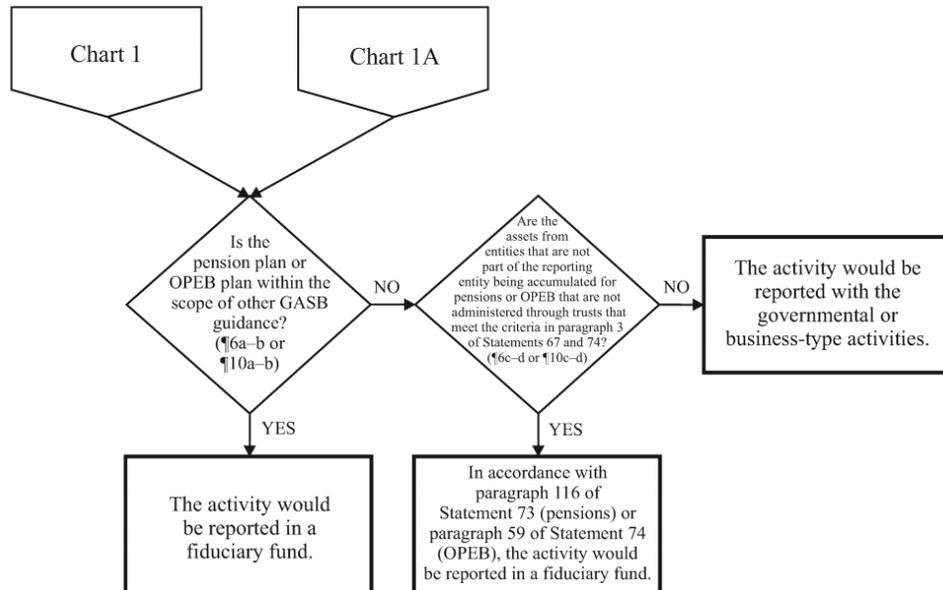
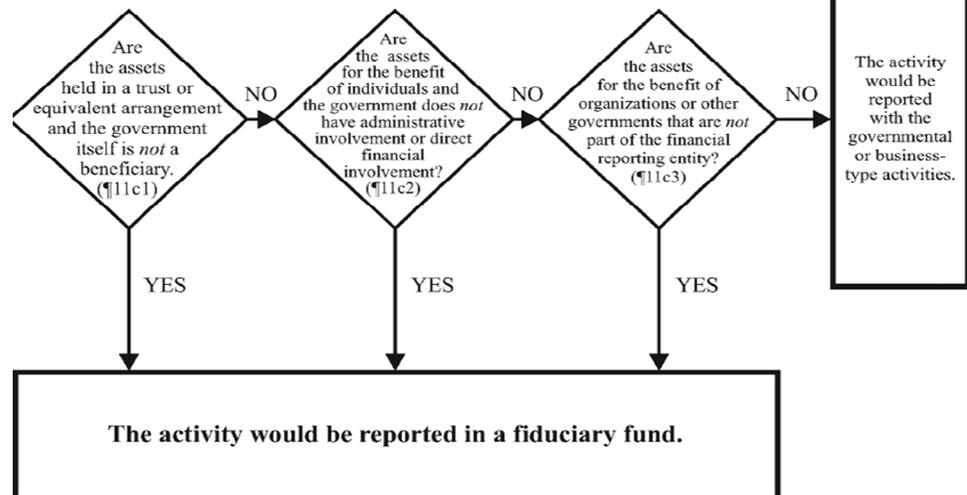


Chart 1A – Other fiduciary activities?

Are assets held in trust? No

Are the assets for the benefit of individuals and the government doesn't have administrative involvement?
 Yes



Fiduciary fund or not?

	Fiduciary	NOT Fiduciary
Payroll & claims clearing funds		✓
Performance deposits/ Retainages		✓
Property taxes collected for other local governments	✓	
Jail Inmate accounts	✓	
Fire Department Relief Association	✓	



GASB 84 Fiduciary Activities: Reporting Changes

Changes in reporting fiduciary activities include:

- ❖ Possible net position of custodial funds; and
- ❖ FDRA's will be included with custodial funds.

Statement format changes include the addition of the External Investment (not in trust) column in the custodial fund classification.

A revised FY2021 AFR Excel template will be available on our website later this spring.

Changes to the BARS Chart of Account will be minimal. However, you may have funds that need to be reclassified.

Don't forget the note disclosure for the summary of significant accounting policies and reporting of prior period adjustments related to GASB 84, if applicable.

Reporting fiduciary activities of enterprise and business-type funds are an exception to the fiduciary fund statement reporting requirements. Please see the GASB statement for guidance.



Fund Classifications: Fiduciary

Fiduciary funds are used to report assets held by a government entity acting in a trustee or custodial capacity for others.

Assets in these funds cannot be used to support the government's own programs.

- **7000 - 7099 Trust Funds** account for assets received and held for a government acting as a custodian and are reported on a full accrual basis.

- These include:
 - ❖ pension trust funds;
 - ❖ investment trust funds; and,
 - ❖ private purpose trust funds.

7100 - 7999 Custodial Funds are primarily funds for cash collected for other governments or agencies and distributed within a short time period and are reported on a full accrual basis.



Statement of Fiduciary Net Position

STATEMENT OF FIDUCIARY NET POSITION						
FIDUCIARY FUNDS						
FISCAL YEAR ENDING JUNE 30, 2021						
Account Number	Description	Trust Funds			Custodial Funds	
		Pension Trust Funds (7000-7005)	Investment Trust Funds (7006-7009)	Private Purpose Trust Funds (7010-7099)	External Investment (not in trust)	Custodial Funds (7100-7999)
ASSETS						
101000	Cash and cash equivalents					
	Receivables:					
110000	Tax/assessment receivable (net of allowance for uncollectibles)					
120000	Accounts/other receivables - (net of allowance for uncollectibles)					
128000	Interest receivable					
101100	Investments (at fair value)					
	Other assets					
	Total Assets	0.00	0.00	0.00	0.00	0.00
190000	Deferred Outflows of Resources					
LIABILITIES						
202100	Accounts payable					
203100	Judgments payable					
204100	Contracts payable					
211000	Due to other funds					
212000	Due to other governments					
216000	Revenues Collected in Advance					
	Total Liabilities	0.00	0.00	0.00	0.00	0.00
220000	Deferred Inflows of Resources					
NET POSITION						
		0.00	0.00	0.00	0.00	0.00
	Balance check:	0.00	0.00	0.00	0.00	0.00

Draft



Statement of Changes in Fiduciary Net Position

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION						
FIDUCIARY FUNDS						
FISCAL YEAR ENDING JUNE 30, 2021						
Account Number	Description	Trust Funds			Custodial Funds	
		Pension Trust Funds (7000-7005)	Investment Trust Funds (7006-7009)	Private Purpose Trust Funds (7010-7099)	External Investment (not in trust)	Custodial Funds (7100-7999)
ADDITIONS:						
310000	Tax revenue					
	Tax revenue collected for other governments					
330000	Intergovernmental revenue					
360000	Miscellaneous revenue					
370000	Investment earnings					
366000	Contributions to pension plan					
366000	Contributions to investment trust					
	Total Additions	0.00	0.00	0.00	0.00	0.00
DEDUCTIONS:						
	Administrative expenses					
	Refunds of contributions					
	Benefit payments to individuals					
	Distribution of investments					
	Refunds or transfers to others					
	Payments of taxes collected for other governments					
	Total Deductions	0.00	0.00	0.00	0.00	0.00
	Change in net position	0.00	0.00	0.00	0.00	0.00
	Total net position - July 1, 2020 as previously reported					
	Prior period adjustments					
	Total net position - July 1, 2020 as restated	0.00	0.00	0.00	0.00	0.00
	Total net position - June 30, 2021	0.00	0.00	0.00	0.00	0.00

Draft

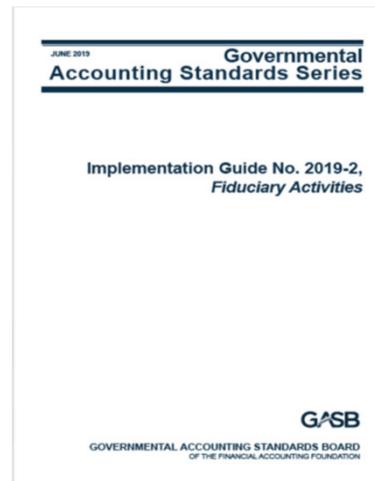


GASB 84 Fiduciary Activities: Q and A's

GASB Implementation Guide 2019-2 presents a series of questions and answers to assist with the implementation of GASB 84.

www.gasb.org

- Implementation Guide 2019-2 amended certain questions in Implementation Guides 2015-1, 2016-1 and 2017-2.
- GFOA has issued an advisory, which can be found on their website, about GASB 84 which provides some general guidelines.



GASB 84 Fiduciary Activities: Q and A's

1. Do I report a liability or net position in a custodial fund?

In the Statement of Fiduciary Net Position, liabilities are recognized when an event **compels** a government to disburse fiduciary resources after a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release assets.

- ❖ **Example:** A city or town holds cash for a Fire Department Relief Association. Cash is not released until a claim is made for those funds or assets. The city or town will not record a liability (if no demand for the resources has been made) but report a net position in the Statement of Fiduciary Net Position for the funds.



GASB 84 Fiduciary Activities: Q and A's

1. Do I report a liability or net position in a custodial fund? continued

- ❖ Example: A city or town holds assets/cash related to the Court Technology Surcharge, the Law Enforcement Academy Surcharge, or a similar fund and these assets are remitted to the Department of Revenue.
- ❖ A liability is reported for these types of funds as no other action is required for the disbursement of these funds. The assets will be held for three months or less.
- ❖ Reporting for Pension Trust, Investment Trust, and Private Purpose Trust funds still report liabilities and net position.



GASB 84 Fiduciary Activities: Q and A's

2. Do I need to include the payroll clearing and claims clearing funds in the fiduciary fund statements?

No, these funds do not need to be recorded with the other custodial funds in the fiduciary fund statements. They represent a liability of the government, and the funds are held for the benefit of the government, not meeting the criteria in paragraph 11c of GASB 84.

- ❖ Continue to use the clearing funds in your accounting system.
- ❖ This change is for reporting purposes only in your AFR, and no entries are required in your accounting system.
- ❖ Amounts at 6/30 in these funds can be reported in your General Fund.



GASB 84 Fiduciary Activities: Q and A's

3. A government has identified multiple activities which meet the description of custodial fund per paragraph 18 and expects to hold the assets less than three months. How should I report these in the Statement of Changes in Fiduciary Net Position?

If significant, an aggregated total for additions and an aggregated total for deductions may be reported for each activity in the custodial fund.



LOCAL GOVERNMENT SERVICES BUREAU
STATE FINANCIAL SERVICES DIVISION



GASB 87 LEASES

Presented by:
Darla Erickson

406-444-9101
LGSPortalRegistration@mt.gov
<http://sfsd.mt.gov/LGSB>

29

LEARNING OUTCOMES

GOAL 1

The impact of GASB 87
Leases

GOAL 3

What are the implementation
dates?

GOAL 2

What changes in your
financial statements?

GOAL 4

Changes to the AFR template
and other information



30

GASB 87 Leases : a brief introduction

GASB 87 Leases

- Effective for reporting periods beginning after June 15, 2021 or **FY2022 (July 1, 2021 to June 30, 2022)**.
- Changes the definition of a lease and how leases are accounted for by both the lessee and lessor. You may need report as both a lessee and lessor depending on the circumstances.
- **Certain types of leases are exempt including:**
 - **Intangible assets** (mineral rights, copy rights, patents, licensing contract for computer software);
 - **Biological assets** (timber, living plants, assets);
 - **Inventory;**
 - **Service concession arrangements** (GASB #60);
 - **Supply contracts** (power purchase agreements that do not convey control of the right to used underlying generating facility); and
 - **Short-term leases** (term less than 1 year).



GASB 87 Leases: what is a lease?

- ❖ A lease is a contract which conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction.

- ❖ An agreement that does not specify the term lease but meets the definition of a lease under GASB 87, is still considered a lease and needs to be reported as such.

To determine if the contract conveys control of the right to use the underlying asset, does the government have both

- 1) the right to obtain the present service capacity from use of the underlying asset as specified in the contract, and
- 2) the right to determine the nature and manner of use of the underlying asset as specified in the contract.

- ❖ Nonfinancial assets may include buildings, land, vehicles, and equipment.

- ❖ Contracts which transfer ownership of the underlying asset at the end of the term and do not contain termination options should be reported as a financed purchase.



GASB 87 Leases: what is a lease term?

- ❖ The lease term is the period during which the lessee has a noncancelable right to use an underlying asset.

- ❖ The lease term also includes
 - The periods covered by a lessee's option to extend the lease and to terminate the lease.
 - The periods covered by a lessor's option to extend the lease and to terminate the lease.

- ❖ The lease term should be reassessed if one or more of the following occur:
 - Lessee or lessor elects to exercise an option that would not have been exercised
 - Lessee or lessor elects not to exercise an option that would have been exercised
 - An event specified in the lease requiring an extension takes place.



GASB 87 Leases: definitions

- ❖ **Lease liability** is the present value of the payments made over the term of the lease. The value is based on the following:
 - Fixed lease payment made during the lease term.
 - Variable payments fixed in substance or based on an index.
 - Payments for terminating the lease.
 - Any lease incentives due from the lessor which decrease the liability.
 - Payments related to residual value guarantees, exercising a purchase option or any other payments to the lessor.

- ❖ **Lease receivable** is the present value of the payments to be received over the term of the lease. The value is based on the following:
 - Fixed lease payments received during the term of the lease.
 - Variable payments fixed in substance or based on a rate or index.
 - Any lease incentives due to the lessee.
 - Any fixed residual value guarantee payments due from the lessee.



GASB 87 Leases: definitions

- ❖ **Leased right-to-use asset values** include:
 1. Lease payments made before the beginning of the lease term.
 2. Any costs to put the leased asset into service.
 3. Less any lease incentives.
- ❖ **Present value** is the value today of future payments or receipts.
- ❖ **Lease incentives** are 1) payments made to or on behalf of the lessee, which the lessee has a right to offset the obligation of the lessor, or 2) other concessions granted to the lessee.
- ❖ A **multiple component lease** may be a contract containing both a lease and non-lease component or multiple underlying assets.
- ❖ Contracts with the same counterparty entered into at the same time or near the same time should be considered part of the same contract are **contract combinations**.



GASB 87 Leases: definitions

Other terms defined in GASB 87:



- ❖ Lease modifications or amendments to a lease.
- ❖ Subleases.
- ❖ Sale-Leaseback transactions involve the sale of an underlying asset by the owner and lease of the property back to the seller.
- ❖ In a Lease-Leaseback transaction an asset is leased by the first party to another party and leased back to the first party.
- ❖ Intra-Entity Leases are those of blended component units and are reported as if they are the primary government's debt.
- ❖ Leases between Related Parties.



GASB 87 Leases: things to consider

Who maintains the information on the leases, and is it one location or decentralized?

Ensure the lease term is greater than 12 months.

Do you have existing agreements not currently recognized as leases?

Work with your auditor and other professionals during implementation.

Review the details of each lease – possibly create a checklist to see if the contract qualifies as a lease.

Establish a capitalization threshold to be applied to leases – possibly in line with capital assets.

Review accounts payable detail to determine if any of the expenditures/expenses are lease-related.

Review your general ledger to ensure all of your leases are reported correctly.



GASB 87 Leases: things to consider

One area to take special note of:

- ❖ Net position may not change, but the amount of long-term debt reported will change by the present value of the future lease payments.

Ensure debt limits are reviewed as well as bond indentures and any other contractual debt limits you may have.

Take note of:

- ❖ Contracts with multiple components and contract combinations.
- ❖ Lease modifications and terminations.
- ❖ Subleases and leaseback transactions.

7-7-4201(1) MCA limits the amount of debt a city or town may issue to 2.5% of total assessed value of taxable property.

7-7-4202(1) MCA outlines special provisions relating to water and sewer systems.



GASB 87 Leases: LGSB inventory tracking resource

LGSB is working on a template that will provide the following:

- ❖ Lease asset inventory tracking for lessee
- ❖ Lease asset inventory tracking for lessor
- ❖ Present value amortization
- ❖ Suggested journal adjustments for lessees and lessors
 - ❖ Initial reporting
 - ❖ Subsequent reporting
 - ❖ For full accrual basis
 - ❖ For modified accrual basis

Entity's Reference or Contract #	Fund #	Fund Name	BARS Account Number - Lease Right	Lease Asset Type - Right to Use	Lease Asset Description	Payment Frequency (monthly, annually, arrears)	Lease Payment Type (prepaid, advance, in arrears)	Lease Contract Date	First Payment Due Date (per lease contract)	Lease Term Start Date (7/1/2020 for implementation only)	Lease Term End Date	Lease Term (number of payment periods)	Useful Life of Leased Asset
Example 1 Dul #	5210	Water	98500	Equipment	RedDump.Truck	monthly	advance	5/20/2020	7/1/2020	7/1/2020	6/30/2025	60	8 years

Draft

LESSEE - Example					
Fund No.	Account No.	Description	Dr.	Cr.	
Modified Accrual Basis of Accounting:					
Inception of new lease					
1000	430xxx - 9xx	Expenditure - Capital Outlay		57,493.59	
1000	381050	Inception of Lease Agreement			57,493.59
Initial reporting of existing lease (if using Fund 9500)					
9500	174300	Amount to be Provided - Other		57,493.59	
9500	235500	Leases payable			57,493.59
Lease payment (paid)					
1000	490600 - 650	Lease payments - principal		917.61	
1000	490600 - 660	Lease Payments - Interest		82.39	
1000	101000	Cash			1,000.00



Updates to the BARS – Chart of Accounts

The BARS Chart of Accounts will be updated to include:

- ❖ Leased right-to-use assets;
- ❖ Lease receivables;
- ❖ Deferred outflows and inflows of resources;
- ❖ Lease revenues; and
- ❖ Lease expenditures/expenses.

A memo will be distributed once the revisions are made, and ready for use.

The AFR in Excel template will also be updated for lease reporting.



[Accounting & Annual Financial Report Resources](#)

HOME

BUREAU WEBSITES

BARS CHART OF ACCOUNTS

- [01 Introduction](#)
- [02 Fund Classification](#)
- [03 Balance Sheet Accounts](#)
- [04 Revenue Accounts](#)
- [05 Expenditure Accounts](#)
- [06 Object Expenditure Classification](#)



GASB 87 Leases: Lessees

Lessee Accounting for Leases

- ❖ Governmental funds
- ❖ Proprietary funds

Initial reporting period

- ❖ The lessee should recognize the lease asset and a lease liability
- ❖ The lease asset is the sum of 1) the lease liability, 2) payments made to the lessor at before the beginning of the lease less any incentives, and 3) initial direct costs to place the lease asset into service.

Subsequent reporting periods

- ❖ Amortize the lease asset over the shorter of the useful life of the asset or lease term.
- ❖ Reduce the lease liability by the lease payments less interest expense.



GASB 87 Leases: Lessees

Lessee Accounting for Leases

	Assets	Liabilities	Deferred Inflows of Resources
Lease Inception	Right to use Lease Asset (¶30)	Lease Liability (¶21)	n/a
Subsequent Reporting	Amortize over the shorter of the lease term or useful life of the lease asset (¶31)	Reduce by lease payments less interest expense (¶24)	n/a



GASB 87 Leases: Lessees

Note disclosure should include the following:

- General description of the leasing arrangements including 1) the basis, terms and conditions on which variables not included in the lease liability are determined, and 2) the existence, terms and conditions of residual value guarantees not included in the lease liability.
- Total of lease assets, accumulated amortization disclosed separately from other capital assets.
- The amount of leased assets by major class of underlying assets.
- The amounts of outflows of resources for variable payments and other payments.
- Principal and interest requirements to maturity.
- Commitments under leases before the commencement of lease term.
- The components of any loss associated with an impairment.

Relevant disclosures should also include sublease transactions, sale-leaseback transactions and lease-leaseback transactions.



GASB 87 Leases: Lessors

Lessor Accounting for Leases

- ❖ Governmental Funds
- ❖ Proprietary Funds

Initial Reporting Period

- ❖ The lessor should recognize a lease receivable and a deferred inflow of resources.
- ❖ The value of the lease receivable is the present value of the lease payments reasonably certain to be received.
- ❖ The lessor continues to report on the underlying leased asset.

Subsequent Reporting Periods

- ❖ Depreciate underlying leased asset and reduce receivable by lease payments less amount for accrued interest.
- ❖ Recognize revenues in a systematic and rational manner.



GASB 87 Leases: Lessors

Lessor Accounting for Leases

	Assets	Liabilities	Deferred Inflows of Resources
Lease Inception	Lease Receivable (¶44, 55)	n/a	Initial value of Lease Receivable (¶53)
Subsequent Reporting	Reduce receivable by payments received less inflow of resources (¶48)	n/a	Amortize over the term of the lease (¶54)



GASB 87 Leases: Lessors

Note disclosure should include

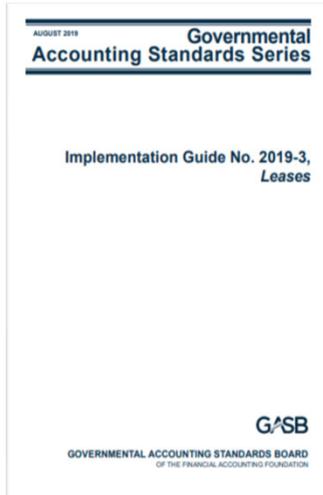
- General description of the leasing arrangements, including the basis, terms, and conditions on which variables not included in the lease liability are determined.
- The total amount of inflows of resources recognized in the reporting period from leases.
- The total amount of inflows of resources recognized in the reporting period for variable and other payments not previously included in the measurement of the lease receivable.
- The existence, terms, and conditions of options by the lessee to terminate the lease or abate payments.

Relevant disclosures should also include leases of assets that are investments, certain regulated leases, sublease transactions, sale-leaseback transactions, and lease-leaseback transactions.

There are additional disclosures for lessors with one or more regulated leases.



GASB 87 Fiduciary Implementation Guide 2019-3



Implementation Guide No. 2019-3 answers many questions about how to apply the provisions of GASB 87

www.gasb.org



DEPARTMENT OF ADMINISTRATION | STATE FINANCIAL SERVICES DIVISION | LGSB

47

47

LOCAL GOVERNMENT SERVICES BUREAU STATE FINANCIAL SERVICES DIVISION



CORRECTIVE ACTION PLANS

Presented by:
Darla Erickson

406-444-9101
LGSPortalRegistration@mt.gov
<http://sfsd.mt.gov/LGSB>

48

Corrective Action Plans or CAPS

Corrective action plans (CAPS) address audit findings or recommendations when an audit has been completed.

MCA 2-7-515 (1) requires an audited local government entity to review the audit report and, within 30 days of receipt, submit a corrective action plan detailing what action or actions the entity plans to take on any findings or recommendations contained in the audit report.

MCA 2-7-515 (2) requires the department to notify the entity of the acceptance or rejection of the corrective measures. If the department and entity fail to agree on corrective measures, a conference will be held.

MCA 2-7-515 (3) failure to resolve significant findings or implement corrective measures must result in the withholding of financial assistance in accordance with rules adopted by the department pending resolution or compliance.

Why is LGSB following up on CAPs? To prevent claims under MCA 2-7-523 or SB302 (L2019).



Corrective Action Plans or CAPS

Findings will be reviewed by LGSB and determined to be significant or other.

Significant findings are related to

- ❖ cash,
- ❖ budgets;
- ❖ and going concern.

Other finding categories, that if material, may be considered significant include:

- ❖ Related to grant funds
- ❖ Reporting deadlines
- ❖ County Collections
- ❖ Charges for Services
- ❖ Debt and long-term debt
- ❖ Disclaimers or adverse opinions from the auditor
- ❖ Number of findings
- ❖ Related to fraud or abuse
- ❖ Related to custodial funds
- ❖ Prior period adjustments



Corrective Action Plans or CAPS

What should be included in your CAP?

- ❖ **Why** did the deficiency occur?
- ❖ **What** is being done to correct the deficiency?
- ❖ **Who** is responsible for correcting the deficiency?
- ❖ **When** will the corrective measures be implemented?

In reviewing a CAP, our goal is to work with you to eliminate repeat audit findings, especially significant findings.

LGSB will notify the audited entity whether a CAP has been accepted or if additional information is required.

LGSB may not accept a CAP if it doesn't appear to address or correct the findings.

A conference would be scheduled to discuss corrective measures.

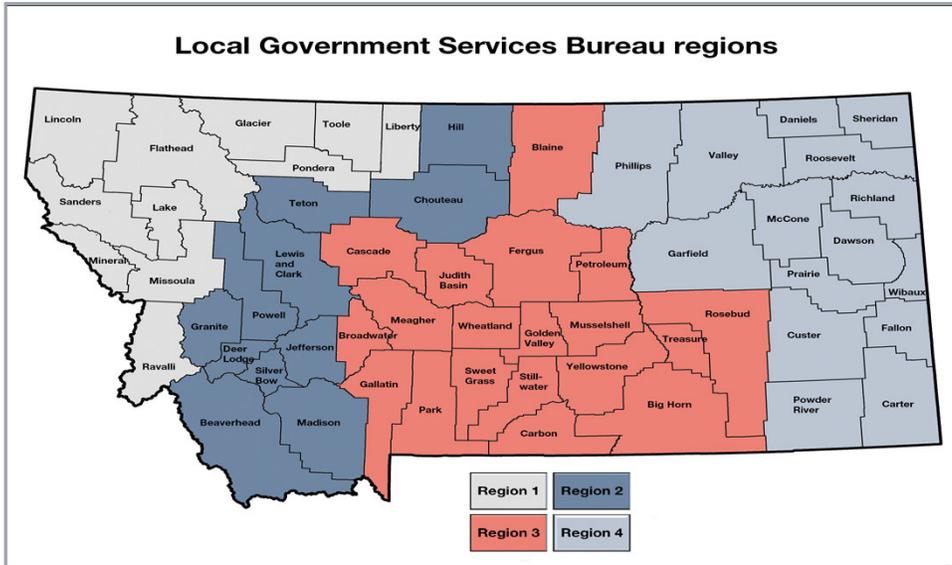


LGSB Happenings

- ❖ Staffing changes at LGSB include our new accountant, Alek Smith who came on early March.
- ❖ We are reestablishing regions across the state.
- ❖ We are working on the AFR in Excel and other template updates.



LGSB Region Map



DEPARTMENT OF ADMINISTRATION | STATE FINANCIAL SERVICES DIVISION | LGSB

LGSB Contact information

Thank you for attending the presentation on GASB and CAPs. If you have questions, we would be happy to provide assistance.

LGSB Email: LGSPortalRegistration@Mt.gov
Main Phone: 406-444-9101

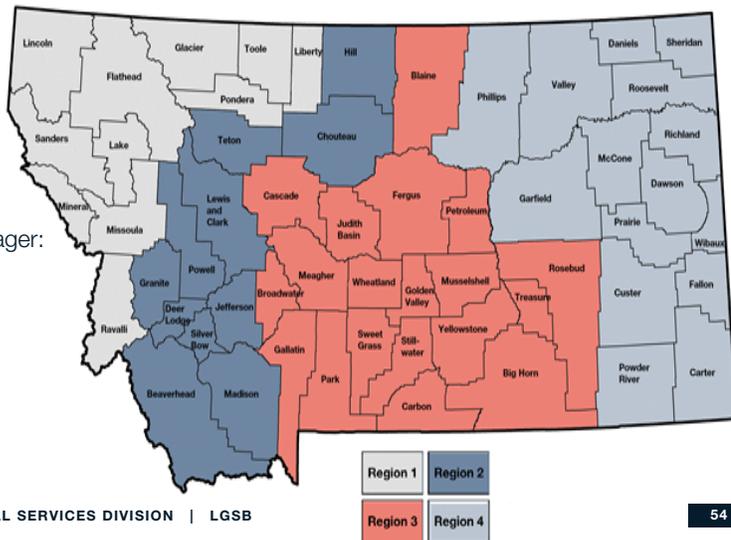
Kristin Reynolds, Bureau Chief:
KReynolds2@Mt.gov or 444-5584

Darla Erickson, Accounting & Reporting Manager:
DErickson@Mt.gov or 444-9491

Regions 1 & 2: Kari Powles, Accountant:
Kari.Powles2@Mt.gov or 444-1238

Regions 3 & 4: Alek Smith, Accountant:
Alek.Smith@Mt.gov or 444-1334

Local Government Services Bureau regions



DEPARTMENT OF ADMINISTRATION | STATE FINANCIAL SERVICES DIVISION | LGSB