BARS CHART OF ACCOUNTS - FUND ACCOUNTING & GASB UPDATES

Presented by:
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Local Government Services Bureau
State Accounting Division, Department of Administration
THE BASICS OF FUND ACCOUNTING

Topics covered in this presentation:
• Overview of Governmental Accounting Basics
  • Dept of Administration’s role
  • Fund Accounting/Basis of Accounting
• Using the BARS Chart of Accounts
  • Funds
  • Accounts
  • Objects
• GASB Update - #63 & #65
7-6-611 - Role of Department of Administration (DOA).
(1) The Department of Administration shall prescribe for all local governments:
   (a) general methods and details of accounting in accordance with generally
       accepted accounting principles as provided in 2-7-504;
   (b) uniform internal and interim reporting systems as part of the uniform
       reporting systems provided for in 2-7-503;
   (c) the form of the annual financial report as provided in 2-7-503; and
   (d) general methods and details of accounting for the annual financial report as
       provided in 2-7-513.

(2) Local governments shall file with the DOA:
   (a) an annual financial report within 6 months of the fiscal yearend; and
   (b) an audit report within 12 months of the end of the audited period.

(3) The governing body of each county or municipality shall notify the DOA in writing, on
     a form prescribed by the department of administration, of the creation, dissolution, combination,
     or other legal alteration of any special purpose district within the county or municipality.

(4) Each special purpose district shall obtain a permanent mailing address and notify the
     department of administration of the address and of any subsequent changes of
     the district's address.
## DEPT OF ADMINISTRATION’S ROLE

### Late Filing Penalty for Annual Reports & Audits

2-7-517 MCA & 2.4.403 & 404 ARMs - Penalties

<table>
<thead>
<tr>
<th>Trigger</th>
<th>Delinquent AFR/Audit Publication Fee</th>
<th>Late Filing Penalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report is over <strong>180 days</strong> late</td>
<td>Payment of filing fee is <strong>60 days</strong> overdue</td>
<td></td>
</tr>
<tr>
<td>Entity name is published in local newspaper</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Amount</strong></td>
<td><strong>$50 per publication</strong></td>
<td><strong>10% per month</strong> of filing fee amount not paid</td>
</tr>
<tr>
<td><strong>Timeframe</strong></td>
<td>Published &amp; billed quarterly</td>
<td>Assessed &amp; billed monthly</td>
</tr>
</tbody>
</table>
THE BASICS OF FUND ACCOUNTING

• PRINCIPLES OF GOVERNMENTAL ACCOUNTING
  • **Accounting and Reporting Capabilities**
    • Accounting systems should be maintained in accordance with generally accepted accounting principles (GAAP) and uniform in MT by using the BARS Chart of Accounts as prescribed by the Local Government Services Bureau
      • **Chart of Accounts:**
        [http://doa.mt.gov/lgsb/Forms/AccountingSystemsProgram/1_AccountingManuals/01_BARSChartofAccount](http://doa.mt.gov/lgsb/Forms/AccountingSystemsProgram/1_AccountingManuals/01_BARSChartofAccount)
      • **Updates:** [http://doa.mt.gov/lgsb/bars_memos](http://doa.mt.gov/lgsb/bars_memos)
  • **Fund Accounting Systems**
    • Accounting systems should be organized and operated on a fund basis
  • **Fund Types**
    • Fund financial statements should report governmental, proprietary (enterprise) and fiduciary fund types if applicable
  • **Number of Funds**
    • Only maintain those funds required by law and sound financial management
• PRINCIPLES OF GOVERNMENTAL ACCOUNTING
  
  • Special Revenue Funds
    • Special Revenue Funds must meet the new definition of a special revenue fund according to GASB54:
    • Used to account for proceeds of specific revenue sources that are committed or restricted to expenditures for specific purposes other than debt service or capital projects.
      – Balances will be
        » Non-spendable
        » Restricted
        » Committed
        » Assigned (but not only assigned fund balance)
        » Negative Unassigned Fund Balance
    *Existing funds that do not meet this fund balance type will report their balance in the General Fund at year-end for reporting purposes.
    *Or Commit Revenues or Fund Balance to a major purpose by year-end by taking the highest action of local government by year-end.
BUDGETARY ACCOUNTING & REPORTING SYSTEM
Chart of Accounts is the framework of an accounting system

Is the master classification of balance sheet/statement of net position, revenue & expenditure accounts for Local Governments

Provides the information needed for budgeting, administration & financial reporting purposes

Designed to meet uniform reporting requirements - allows for comparisons
The updated Chart of Accounts is available on our website: [http://doa.mt.gov/lgsb](http://doa.mt.gov/lgsb)

Under Accounting & Management Section:

* BARS Updates (Memos) – will include recent updates by revision date

* Accounting & Management Systems Forms & Documents
  * Click on Accounting Manuals
  * Click on BARS Chart of Accounts

Will include the last revision date on each page of the section, bottom left corner will include revision date
BARS CHART OF ACCOUNTS
UPDATES

When a section of the Chart of Accounts is updated:

A memo will be emailed to:

County Clerk & Recorders
Finance Officers
Treasurers

By Monica Birlut, Accountant, in the Helena office

*For additions and deletions to the distribution list email Monica at Mbirlut@mt.gov
The Bureau’s future plans for assigning New Revenue Account Numbers in the BARS Chart of Accounts will be to assign a group of account numbers per granting agency:

Example:

Before: Federal Dept of Commerce Economic Development Grant - Revenue #331200

After: Federal Dept of Commerce Economic Development Grant – Revenue #331200 through 331250 will be assigned to the Federal Dept of Commerce Grants

Individual numbers within 331200 – 331250 can be assigned by the Local Government as needed
The BARS Chart of Accounts for Funds is based on specific Fund Types:

- Governmental Funds
- Proprietary Funds
- Fiduciary Funds
- Governmental Activity (not required)

These fund types are broken out into sub-categories for further classification
BARS - FUND CLASSIFICATIONS

1000 - General Fund

2000 - Special Revenue Funds

3000 - Debt Service Funds

4000 - Capital Projects Funds

5000 - Enterprise Funds

6000 - Internal Service Funds

7000 - Fiduciary Funds (Trust & Agency)

8000 - Permanent Funds

9000 - General Capital Asset/Long-Term Debt
TYPES OF FUNDS

GOVERNMENTAL FUNDS

• 1000 ~ General
• 2000 ~ Special Revenue
• 3000 ~ Debt Service
• 4000 ~ Capital Projects
• 8000 ~ Permanent
TYPES OF FUNDS

PROPRIETARY FUNDS

• 5000 ~ Enterprise
• 6000 ~ Internal Service
FIDUCIARY FUNDS

- **7000** ~ Pension Trust
  ~ Investment Trust
  ~ Private Purpose Trusts
  ~ Agency
9000 ACCOUNT GROUPS - For Governmental Funds!

- General Capital Assets ~ 9000
- General Long-Term Debt ~ 9500
  - No longer required to be reported
  - Can keep updated for your records
Example of further breakdown of funds:

- **5000 – 5999** – Enterprise Funds
  - **5010** – Golf
  - **5110** – Hospital/Nursing Home
  - **5210** – Water
  - **5310** – Sewer
  - **5410** – Solid Waste
    - **5415** - Landfill
  - **5510** – Ambulance
The BARS Chart of Accounts for Balance Sheet/Statement of Net position is based on 5 principal groups (following implementation of GASB 65):

- Assets & other debits
- Deferred outflows of resources
- Liabilities & other credits
- Fund balance/net position
- Deferred inflows of resources

• These groups are further defined into other logical categories depending on the nature of the particular asset, liability or fund balance/net position
• Balance Sheet accounts consist of 6 digits
Within these groups there is further breakdown into other logical categories depending upon the nature of the particular asset, liability, deferred inflow, deferred outflow & fund balance/net position.

The first two digits refer to the principal group & the last four digits are the sub-category.
THE BASICS OF FUND ACCOUNTING

• Financial Statements:

  • Balance Sheet (Governmental Funds) or Statement of Net Position (Enterprise Funds)

    Consists of:

    • Assets – debit balance
    • Liabilities – credit balance
    • Fund Balance (Governmental Funds) or Net Position (Enterprise Funds)

    **Current Formula:** Fund Balance/Net Position = Assets – Liabilities

    Or Assets – Liabilities = Fund Balance/Net Position
Principal groups of asset & other debit numbers:

100000 – Cash/Investments

110000 – Taxes/Assessments Receivable

120000 – Other Receivables

130000 – Due from and advance from

140000 – Prepaid Expenses

150000 – Inventories

160000 – Restricted Assets

170000 – Other Debits

180000 – Capital Assets
GASB65 Change:

190000 – Deferred Outflows of Resources

Presented as a separate element on the Balance Sheet and Statement of Net Position after the total assets and other debits

Implemented for FY14
Example of further breakdown of an asset account:

11 0000 – **Taxes Receivable**

111 000 – Mobile Home Taxes Receivable

113 000 – Real Taxes Receivable

115 000 – Personal Taxes Receivable

116 000 – Protested Taxes Receivable

118 000 – Special Assessments Receivable
THE BASICS OF FUND ACCOUNTING

Assets

• Have a Debit Balance

• If an asset has a credit balance – the account has a “negative” balance
  • This is not normal
To **increase** an asset account you **debit** the account.

To **decrease** an asset account you **credit** the account.
Liabilities, equity & other credits numbers:

200000 – Short-term Payables
210000 – Other Short-term Payables/Due to
220000 – Deferred Inflows (for FY14)
230000 – Long-term Liabilities
240000 – Other credits
250000 – 270000 – Fund Balance/Net Position
280000 – Investment in Capital Assets (Fund 9500)
BALANCE SHEET ACCOUNTS

GASB65 Change:

\textbf{22}\textsuperscript{0000} – Deferred Inflows (for FY14)

Formerly Deferred Credits – such as deferred revenue.

Presented as a separate element on the Balance Sheet and Statement of Net Position after the total of Short and Long-Term Liabilities

Implementation for FY14
Sub-categories of principal groups of liability account numbers and definitions

210000 Other Short-term Liabilities (Principal Group)

211000 Inter-fund Payable
212000 Due to other Government
214000 Deposits Payable
Liabilities

• Have a **Credit** Balance

• If a liability has a **debit** balance – the account has a “negative” balance
  • This is not normal
To **increase** a liability account you **credit** the account

To **decrease** a liability account you **debit** the account
Fund Balance/Net Position has a credit balance. If it has a debit balance that is “negative” and isn’t normal.

Entries should rarely, if ever, debit or credit fund balance or net position (use prior period adjustment if applicable).

- When you post a debit to an asset or liability account, fund balance/net assets will automatically increase.
- When you post a credit to an asset or liability account, fund balance/net position will automatically decrease.
BARS REVNUES & EXPENDITURES

If the first digit of an account number is
‘3’ = revenue or other financing source

If the first digit of an account number is
‘4’ or ‘5’ = expenditure or other financing use
<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>310000</td>
<td>Taxes</td>
</tr>
<tr>
<td>320000</td>
<td>Licenses and Permits</td>
</tr>
<tr>
<td>330000</td>
<td>Intergovernmental Revenues</td>
</tr>
<tr>
<td>340000</td>
<td>Charges for Services</td>
</tr>
<tr>
<td>350000</td>
<td>Fines and Forfeitures</td>
</tr>
<tr>
<td>360000</td>
<td>Miscellaneous Revenues</td>
</tr>
<tr>
<td>370000</td>
<td>Investment Earnings</td>
</tr>
<tr>
<td>380000</td>
<td>Other Financing Sources</td>
</tr>
<tr>
<td>390000</td>
<td>Internal Services</td>
</tr>
</tbody>
</table>
Sub-sources & Detail of Revenue Accounts:

330000 – Intergovernmental Revenues (Major Source)
   331000 – Federal Grants (Sub-source)
      331150 – Highway Safety Program (Detail)

332000 – Federal-Shared Revenues

334000 – State Grants

335000 – State-Shared Revenues
   335040 – Gasoline Tax Apportionment
Sub-sources & Detail of Other Financing Sources:

380000 – Other Financing Sources (Major Source)
  381000 – Proceeds of Gen Long-Term Debt (Sub-source)
    381001 – 2008 GO Bonds (Detail)

382000 – Proceeds General Capital Asset Disposition
  382030 – Gain or Loss on Sale of Capital Asset

383000 – Interfund Operating Transfer In
# Illustration of Fund & Revenue Account Numbers

<table>
<thead>
<tr>
<th>Program</th>
<th>Job</th>
<th>Fund Code</th>
<th>Organization Code (Dept)</th>
<th>Major Source</th>
<th>Sub-Source</th>
<th>Detail</th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
<td>XXX</td>
<td>XXXXX</td>
<td>XXX</td>
<td>XX</td>
<td>X</td>
<td>XXX</td>
</tr>
<tr>
<td>OPTIONAL</td>
<td>BARS</td>
<td>OPTIONAL</td>
<td></td>
<td></td>
<td></td>
<td>BARS</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Program</th>
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<th>Sub-Source</th>
<th>Detail</th>
</tr>
</thead>
<tbody>
<tr>
<td>1000</td>
<td></td>
<td>1000</td>
<td>33</td>
<td>1</td>
<td>150</td>
<td>General Fund</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Internally Assigned</td>
<td>Intergovernmental Revenue</td>
<td>Federal Grant</td>
<td>Highway Safety</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fund Code</th>
<th>Revenue Account #</th>
</tr>
</thead>
<tbody>
<tr>
<td>1000</td>
<td>331150</td>
</tr>
</tbody>
</table>

General Fund: As it would appear on financial reports
Revenues

• Have a **Credit** Balance

• If a revenue has a **debit** balance – the account has a “negative” balance
  
  • This is not normal
THE BASICS OF FUND ACCOUNTING

- To **increase** a revenue account you **credit** the account

- To **decrease** a revenue account you **debit** the account
IMPORTANT

Remember when Coding Revenues & Other Financing Sources:

Major Source & Sub-source must be accurate

The First 3 Digits of the Revenue Account must be precise

Example: Distinguish between Federal & State Revenues -

Just because the Revenue/Check came from the State does not mean it is State funds - Call the Agency giving you the revenue if unsure.
BARS – EXPENDITURE ACCOUNTS

410000 - General Government
420000 - Public Safety
430000 - Public Works
440000 - Public Health
450000 - Social/Economic Services
460000 - Culture and Recreation
470000 - Housing and Community Dev.
480000 - Conversation of Natural Resources
490000 - Debt Service
BARS – EXPENDITURE ACCOUNTS – CONT.

500000  - Internal Services
510000  - Miscellaneous
520000  - Other Financing Uses
BARS – OBJECT

EXPENDITURE CLASSIFICATIONS

100  - Personal Services
200  - Supplies
300  - Purchased Services
400  - Building Materials
500  - Fixed Charges (Insurance, rent)
600  - Debt Service
700  - Grants, Contributions, Indemnities
800  - Other Objects, Transfers, Depreciation
900  - Capital Outlay
Example of further breakdown of object codes:

**200 –** **Supplies**

**210** – Offices Supplies

**220** – Operating Supplies

**230** – Repair & Maintenance Supplies

  **231** – Fuel – Gas, Oil, Diesel

  **232** – Motor vehicle parts

  **233** – Machinery & equipment parts

**240** – Other Repair & Maintenance Supplies

**250** – Supplies for Resale
Activity, sub-activity & detail of major function of expenditure account numbers

420000  Public Safety (Major Function)
  420100  Law Enforcement Services (Activity)
    420110  Administration (Sub-activity)
    420120  Facilities
    420130  Personnel Training
    420140  Crime Control & Investigation
      420141  Criminal Investigation (detail)
      420142  Narcotics Investigation
ILLUSTRATION OF FUND, EXPENDITURE & OBJECT CODE ACCOUNT NUMBERS

<table>
<thead>
<tr>
<th>Program</th>
<th>Job</th>
<th>Fund Code</th>
<th>Organization Code (Dept.)</th>
<th>Function</th>
<th>Activity</th>
<th>Sub-Activity</th>
<th>Major Object</th>
<th>Sub-Object &amp; Detail</th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
<td>XXX</td>
<td>XXXX</td>
<td>XXX</td>
<td>XX</td>
<td>XX</td>
<td>XX</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>OPTIONAL</td>
<td>BARS</td>
<td>OPTIONAL</td>
<td>OPTIONAL</td>
<td>-----------</td>
<td>-----------</td>
<td>--------------</td>
<td>--------------</td>
<td>-------------------</td>
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</tbody>
</table>

<table>
<thead>
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<th>Function</th>
<th>Activity</th>
<th>Sub-Activity</th>
<th>Major Object</th>
<th>Sub-Object &amp; Detail</th>
</tr>
</thead>
<tbody>
<tr>
<td>1000</td>
<td></td>
<td>42</td>
<td>01</td>
<td>10</td>
<td>1</td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>INTERNALLY ASSIGNED</td>
<td>General Fund</td>
<td>INTERNALLY ASSIGNED</td>
<td>Public Safety</td>
<td>Law Enforcement</td>
<td>Admin</td>
<td>Personal Services</td>
<td>Salaries &amp; Wages</td>
<td></td>
</tr>
</tbody>
</table>

FUND CODE

| EXPENDITURE ACCOUNT # & OBJECT CODE

<table>
<thead>
<tr>
<th>1000</th>
<th>420110-110</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>Entered into accounting system</td>
</tr>
</tbody>
</table>
THE BASICS OF FUND ACCOUNTING

Expenditures/Expenses

• Have a Debit Balance

• If an expenditure/expense account has a credit balance – the account has a “negative” balance
  • This is not normal
THE BASICS OF FUND ACCOUNTING

- To **increase** an expense/expenditure account you debit the account
- To **decrease** an expense/expenditure account you credit the account
BASIC ACCOUNTING FORMULA

DR = CR

Example: You receive $10 for a dog license

$10 = $10
Cash (Asset) = Revenue (Pet Lic)
101000 = 323030
THE BASICS OF FUND ACCOUNTING

• Financial Statements:

Statement of Revenues, Expenditures and Changes in Fund Balances (Governmental Funds)

or Statement of Revenue, Expenses and Changes in Net Position (Enterprise Funds)

Consists of:

• Revenues – credit balance
• Expenditures/Expenses – debit balance
• Other Financing Sources (Uses) or Non-Operating Revenue/Expense
FUNDAMENTALS OF DEBITS & CREDITS

• RECAP

- Debits must equal credits
  - An entry made within a fund should have equal debits and credits
- All debits and credits should be made to asset, liability, revenue, expenditure/expense, other financing sources/uses or restatement accounts
- Rarely, if ever, should fund balance/net position accounts be debited or credited
  - One exception: Adj. to Restrict Net Position or Fund Balance
Primary benefits of requiring the use of a Standard Chart of Accounts

Assures all local government's in the State record comparable transactions on a uniform basis.

Provides consistency when reporting the financial information of local government's.

Provides consistency when comparing and/or consolidating the financial information of all local government's.
Quiz
Assigning
Account Numbers
## Revenue Quiz

### COUNTY REVENUE QUIZ

<table>
<thead>
<tr>
<th>FUND INFORMATION</th>
<th>REVENUE ACCOUNT INFORMATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>#</td>
<td>FUND</td>
</tr>
<tr>
<td>---</td>
<td>------</td>
</tr>
<tr>
<td>1000</td>
<td>General</td>
</tr>
<tr>
<td>2110</td>
<td>Road</td>
</tr>
<tr>
<td>2140</td>
<td>Weed Fund</td>
</tr>
<tr>
<td>2240</td>
<td>Cemetery</td>
</tr>
<tr>
<td>2940</td>
<td>CDBG</td>
</tr>
<tr>
<td></td>
<td></td>
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<td></td>
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</tr>
</tbody>
</table>
## COUNTY EXPENDITURE QUIZ

<table>
<thead>
<tr>
<th>FUND INFORMATION</th>
<th>EXPENDITURE/EXPENSE ACCOUNT INFORMATION</th>
<th>OBJECT CLASSIFICATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>#</td>
<td>FUND</td>
<td>#</td>
</tr>
<tr>
<td>---</td>
<td>------</td>
<td>---</td>
</tr>
<tr>
<td>1000</td>
<td>General</td>
<td>41</td>
</tr>
<tr>
<td>2110</td>
<td>Road</td>
<td>42</td>
</tr>
<tr>
<td>2140</td>
<td>Weed Fund</td>
<td>43</td>
</tr>
<tr>
<td>2240</td>
<td>Cemetery</td>
<td>44</td>
</tr>
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<td>09</td>
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</tbody>
</table>
### Revenue Quiz

Identify the appropriate fund and account revenue coding for the following items using the County revenue chart.

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Fund</th>
<th>Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The receipt of real estate taxes in the general fund</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>The receipt of payments for weed spraying</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>The receipt of personal property taxes in the road fund</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>The receipt of a federal Community Development Block Grant</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>The receipt of fees collected by the clerk and recorder for copies</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Identify the appropriate expenditure/expense code number for the following items:

<table>
<thead>
<tr>
<th></th>
<th>Fund</th>
<th>Expenditure Account</th>
<th>Object Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Payment for personal services (wages) for the clerk and recorder</td>
<td>_______</td>
<td>_____________</td>
<td>______</td>
</tr>
<tr>
<td>2. The purchase of tires for the truck in the road department</td>
<td>_______</td>
<td>_____________</td>
<td>______</td>
</tr>
<tr>
<td>3. The purchase of envelopes for the justice of the peace</td>
<td>_______</td>
<td>_____________</td>
<td>______</td>
</tr>
<tr>
<td>4. The payment of electricity for a building at cemetery</td>
<td>_______</td>
<td>_____________</td>
<td>______</td>
</tr>
<tr>
<td>5. Payment for the cost of the county's audit</td>
<td>_______</td>
<td>_____________</td>
<td>______</td>
</tr>
</tbody>
</table>
Questions...
Statement No. 63

Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position

Effective date: For financial statements for periods beginning after December 15, 2011 (FY 2013)

For full pronouncements:

www.gasb.org
Financial Statements prepared on the full accrual basis of accounting

Old Terminology = Net Assets

New Terminology = Net Position

Examples:

Before = Net Assets

After = Net Position

Before = Statement of Net Assets

After = Statement of Net Position

Before = Investment in capital assets net of related debt

After = Net investment in capital assets
GASB 63 adds and defines 2 additional elements to a financial statement.

1) **Assets** – resources with present service capacity that the local government presently controls.

2) **Liabilities** – present obligations to sacrifice resources that the local government has little or no discretion to avoid.
3) **NEW-Deferred outflows of resources** – a consumption of net assets that is applicable to a future reporting period. * Has a positive effect on net position
Example: Some deferred charges, loss on refunding of existing debt

4) **NEW-Deferred inflows of resources** – an acquisition of net assets that is applicable to a future reporting period  * Has a negative effect on net position
Example: “former deferred revenue” for taxes receivable, advance collections

5) **Net Position/Fund Balance** - the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources
Elements of a financial statement

Items to be reported as deferred inflows & outflows according to GASB 63 (prior to the implementation of GASB 65):

- Derivative instruments (GASB 53)
- Service concession arrangements (GASB 60)
Statement No. 65

*Items Previously Reported as Assets and Liabilities*

Effective date: For financial statements for periods beginning after December 15, 2012 (FY 2014)
GASB 65 reclassifies certain items (deferred outflows or deferred inflows of resources) that were previously recorded as assets and liabilities.

In addition, through this process, the GASB also found certain items that they felt should not hit the balance sheet at all; as a result, this statement requires recognition of those items as either an outflow (expenditure/expense) or an inflow (revenue) of resources.
GASB 65 DEFINES “DEFERRED”

The use of the term “deferred” should be limited to items reported as:

- Deferred outflows of resources
- or
- Deferred inflows of resources
Components of Net Position will resemble those formerly reported in Net Assets

Will include **Deferred Outflows & Deferred Inflows** as a separate sections - Will no longer be reported as a part of **Assets and Liabilities**

**Net Investment in Capital Assets** will replace the Invested in Capital Assets Net of Related Debt

Continue to report **Restricted & Unrestricted**
Revenue recognition in Governmental Funds

Report Revenue in accounting period when both measurable and available.

When an asset is recorded in governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.
Some transaction in which the resulting item should be reported as **Deferred Outflow of Resources** (currently classified as Assets)

- Grants paid in advance of meeting timing requirements
- Deferred amounts from the refunding of debt
- Costs to acquire rights to future revenues (intra-entity)
- Deferred loss from sale-leaseback

**Items that will retain the classification as Asset**

- Prepayments (including bond insurance pd at closing)
Some transaction in which the resulting item should be reported as **Deferred Inflow of Resources** (currently classified as a Liability)

- Grants received in advance of meeting timing requirements
- Taxes received in advance
- Deferred amounts from the refunding of debt (credits)
- Proceeds from sales of future revenues
- Deferred gain from sale-leaseback
DEFERRED OUTFLOWS OF RESOURCES

199900 DEFERRED OUTFLOWS OF RESOURCES- A consumption of net assets by the government that is applicable to a future reporting period.

199901 TO 199999 Deferred Outflows of Resources-(may use this block of account numbers if you choose to record deferred outflows of resources separately by description)
220000 DEFERRED INFLOWS OF RESOURCES (Formerly Deferred credits) An acquisition of net assets by the government that is applicable to a future reporting period.

221000 Property Taxes Collected But Not Charged - Taxes collected before the tax levy has been made or before the amount of taxpayer liability has been established.

222000 Revenues Collected in Advance - Revenues collected before they become due.

223000 Deferred Inflows of Revenue - Amounts for which asset recognition criteria has been met, but for which revenue recognition criteria has not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available.

   223100 Deferred Inflows of Tax Revenue - Real

223200 Deferred Inflows of Tax Revenue - Personal

   223300 Deferred Inflows of Tax Revenue - Special Assessments
   223400 Deferred Inflows of Tax Revenue - Protested
   223500 Deferred Inflows of Revenue – Permanent/Callable Bonds
   223600 Deferred Inflows of Tax Revenue - Net Proceeds
   223700 Deferred Inflows of Tax Revenue - Mobile Homes

223800

TO 223899  Deferred Inflows of Resources – (Other than deferred inflow account #’s assigned above, may use this block of account numbers if you choose to record deferred inflows of resources separately by description)

223900 TO 229999 OPEN-TO BE ASSIGNED
GASB No. 65 addresses the treatment of debt issuance costs. The board evaluated these costs and concluded that with the exception of prepaid insurance the costs relate to services provided in the current period and thus they should be expensed in the current period.

This is a significant change from current practice which is to record these as assets and amortize them over the life of the related debt issue.
Changes to the Major Fund Calculator

The calculation will change using the aggregates of:

Assets + Deferred Outflows

Liabilities + Deferred Inflows
New accounting formula:

Net Position/Fund Balance = Assets + Deferred Outflows - Liabilities – Deferred Inflows
### Statement of Net Position

**June 30, 20XX**

<table>
<thead>
<tr>
<th></th>
<th>Governmental Activities</th>
<th>Business-type Activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Current assets:</td>
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<tr>
<td>Total current assets</td>
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<td>Noncurrent assets:</td>
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<tr>
<td>Total noncurrent assets</td>
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<td>Total assets</td>
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<tr>
<td><strong>DEFERRED OUTFLOWS OF RESOURCES</strong></td>
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<tr>
<td>Total deferred outflows of resources</td>
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<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
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<tr>
<td>Current liabilities:</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Total current liabilities</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Noncurrent liabilities:</td>
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<td></td>
<td></td>
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<tr>
<td>Total noncurrent liabilities</td>
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<td></td>
<td></td>
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<tr>
<td>Total Liabilities</td>
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<td></td>
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<tr>
<td><strong>DEFERRED INFLOWS OF RESOURCES</strong></td>
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<td></td>
<td></td>
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<tr>
<td>Total deferred inflows of resources</td>
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<tr>
<td><strong>NET POSITION</strong></td>
<td></td>
<td></td>
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<tr>
<td>Net investment in capital assets</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Restricted for:</td>
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<td></td>
<td></td>
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<tr>
<td>Replacement and depreciation</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Capital projects</td>
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<tr>
<td>Debt service</td>
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<td></td>
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<tr>
<td>Unrestricted</td>
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<tr>
<td><strong>Total net position</strong></td>
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<tr>
<td>Classification Under GASB 65</td>
<td>Transaction</td>
<td>Example</td>
<td>Prior Classification</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>-------------</td>
<td>---------</td>
<td>----------------------</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td>Prepayments</td>
<td>Prepaid expenses</td>
<td>Asset (no change)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The providing of resources under a government-mandated nonexchange transaction or voluntary nonexchange transaction when eligibility requirements (excluding time requirements) have not yet been met</td>
<td>provide an advance funded grant to another organization on a contingent basis and that contingency provision has not yet been satisfied</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Government-mandated nonexchange transaction or voluntary nonexchange transaction where all eligibility requirements have been met except time requirements.</td>
<td>Your organization provides an advance funded grant to another organization but all eligibility requirements under GASB 33 have been met other than time</td>
</tr>
<tr>
<td><strong>DEFERRED OUTFLOW</strong></td>
<td></td>
<td>Resources received in advance in an exchange transaction</td>
<td>Government agrees to install a water main in a subdivision and receives payment from residents before main is installed</td>
</tr>
<tr>
<td><strong>LIABILITY</strong></td>
<td></td>
<td>Receipt of resources under a government-mandated nonexchange transaction or voluntary nonexchange transaction when eligibility requirements (excluding time requirements) have not yet been met</td>
<td>Your organization receives an advance funded grant on a contingent basis and that contingency provision has not yet been satisfied</td>
</tr>
<tr>
<td>Classification Under GASB 65</td>
<td>Transaction</td>
<td>Example</td>
<td>Prior Classification</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>-------------</td>
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</tr>
<tr>
<td><strong>DEFERRED INFLOW</strong></td>
<td>Resources received related to imposed nonexchange transactions before the period resources are (a) levied or (b) may be used</td>
<td>(a) Property taxes received before the period for which it is levied (b) Unpaid property taxes levied in one fiscal year and whose resources are received in a subsequent fiscal year</td>
<td>(a) Liability-221000-Taxes Collected But Not Charged (b) Liability-(deferred revenue)</td>
</tr>
<tr>
<td></td>
<td>Resources received related to government mandated or voluntary nonexchange transactions meeting all eligibility requirements except time requirements</td>
<td>Grant received in June for which granting agency has indicated eligible expenditures cannot occur until next fiscal year begins</td>
<td>Liability-(222000-Revenues Collected in Advance)</td>
</tr>
<tr>
<td></td>
<td>Unavailable revenue due to the application of period of availability in governmental funds</td>
<td>Government provided a service in one fiscal year, but the related cash still has yet to be received at the end of the fiscal year</td>
<td>Liability-(deferred revenue)</td>
</tr>
<tr>
<td></td>
<td>Regulated operations - Revenue intended to cover future costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>OUTFLOW</strong> (expenditure/expense)</td>
<td>Debt issuance costs</td>
<td></td>
<td>Liability-(222000-Revenues Collected in Advance) Asset – (176000-Unamortized Charges - Refunding Bonds)</td>
</tr>
</tbody>
</table>
Questions...
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