Do you have a Fiduciary Responsibility to Implement GASB 84?

June 5, 2019

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<table>
<thead>
<tr>
<th><strong>Fiduciary Activities</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What:</strong> The Board issued Statement 84 to clarify when a government has a fiduciary responsibility and is required to present fiduciary fund financial statements</td>
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<td><strong>Why:</strong> Existing standards require reporting of fiduciary responsibilities but do not define what they are; use of private-purpose trust funds and agency funds is inconsistent; BTAs are uncertain about how to report fiduciary activities</td>
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<tr>
<td><strong>When:</strong> Effective for fiscal years beginning after December 15, 2018</td>
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<td>Earlier application is encouraged</td>
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### Effective Dates—June 30

<table>
<thead>
<tr>
<th>Year</th>
<th>Statements</th>
</tr>
</thead>
</table>
| 2018 | • Statement 75—OPEB (employers)  
• Statement 85—omnibus (may be implemented by topic)  
• Statement 86—certain debt extinguishment issues  
• Implementation Guide 2017-1 |
| 2019 | • Statement 83—certain asset retirement obligations  
• Statement 88—certain debt disclosures  
• Implementation Guide 2018-1 |
| 2020 | • Statement 84—fiduciary activities  
• Statement 90—majority equity interests |
| 2021 | • Statement 87—leases  
• Statement 89—interest cost |

### Effective Dates—December 31

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Fiduciary Activities

- **Statement No. 14, The Financial Reporting Entity, Paragraph 19**
  - Include “if the primary government has a fiduciary responsibility for them”

- **Statement No. 61, The Financial Reporting Entity: Omnibus**
  - Fiduciary activities broader than reporting entity considerations – so not addressed

- **Existing standards**
  - Fiduciary responsibilities not defined
  - Inconsistent application
  - Business-type activities

- **Governmental Accounting Standards Advisory Council (GASAC)**
  - High priority to address fiduciary activities

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Four potential paths to reports assets in a fiduciary fund

1. Is there a component unit present that are postemployment benefit arrangements? (Pensions / OPEB)

2. Is there a component unit present that may be a fiduciary activity, but not a postemployment benefit arrangement?

3. Are there postemployment benefit arrangements that are not component units (currently agency funds)?

4. Are there other potential fiduciary activities? (Investment trust funds, private purpose trusts, agency funds)
Evaluating Potential Fiduciary C.U’s

- Legally Separate
  - Are Trust legally separate? – Exposure Draft IG Q&A
- Voting Majority of the Board (Test One)
  - Exposure Draft IG Q&A
- Imposition of will (Test One)
  - modify budgets, modify/approve rate of fees, ability to overrule decisions of board
- Fiscally dependent (Test Two)
  - Approve budget, approve rates, approve issuance of debt
- Misleading to exclude

Fiduciary component units

- Component unit (CU) criteria of GASB 14

  - Fiscal accountability
  - Board appointment
  - Fiscal dependence
  - Financial benefit or burden
  - Ability to impose will
  - Financial benefit or burden

- Normally, Pension and OPEB plans that are in GASB 67 and 74 compliant trusts are separate legal entities
- Primary government considered to have financial burden if it makes contributions to the plan
  - Legally required or assumed the obligation
The Maze!!! GASB-84 part 1!

The activity would not be reported.

The activity would be reported in a fiduciary fund.

See Next Slide

Two Slides Down

The Maze!!! GASB-84 part 2!

See Next Slide

The activity would be reported in a fiduciary fund.
The Maze!!! GASB-84 part 3!

Chart 1

- Is the pension plan or OPEB plan within the scope of other GASB guidance? (Section 6 or 7) (Yes or No)

  - Yes: The activity would be reported in a fiduciary fund.
  - No: Continue.

Chart 1A

- Are assets from operations that are not part of the reporting entity being accounted for in a pension or OPEB that are not administrative through trusts that are considered fiduciary activities? (Yes or No)

  - Yes: The activity would be reported in a fiduciary fund.
  - No: The activity would be reported with the governmental or business-type activities.

Types fiduciary activities

Fiduciary activities

- Fiduciary component units
- Pension and OPEB arrangements that are NOT component units
- Other fiduciary activities

Within each category:

- Pension and OPEB arrangements
- Other arrangements
When Should a Government Report Assets in a Fiduciary Fund?

Four paths to making this determination:

- Are the assets held by a component unit?
  - Yes
  - No

- Are the assets held for a pension or OPEB arrangement?
  - Yes
  - No
  - Yes
  - No

Keys =

1  2  3  4
Is there a component unit that is providing postemployment benefits (Pensions or OPEB)?

Example – Statewide PERS is a component unit of a State.

Is there a component unit that does not provide postemployment benefits, but is a fiduciary?

Example – Foundation of an Institution of Higher Education that is a component unit.

Are there postemployment benefit arrangements that are not component units?

Example – Municipal Plan that is not an irrevocable trust and is currently reported as an Agency Fund.

Are there any other fiduciary activities – such as:

• Investment Trust Funds?
• Other Endowments?
• Funds or activities that are currently Agency Funds?

Examples – Conservation Trust, Library or School Endowment, School Activity Funds

If yes to any of these, you might have a Fiduciary Activity...Maybe...
Fiduciary funds – Four types

- Pension and other employee benefit trust funds
- Investment trust funds
- Private-purpose trust funds
- Custodial funds

Fiduciary funds – Trusts

- Assets administered through a trust
  - Government itself is not the beneficiary
  - Assets dedicated to providing benefits to recipients under benefit terms
  - Assets legally protected from creditors of the government

- Pension and other employee benefit trust funds
  - Pension or OPEB plans administered through trusts under GASB 67 or GASB 74
  - Other employee benefit plans where resources held in trust and contributions to trust are irrevocable

- Investment trust funds
  - Assets held in trust
  - External portion of investment pools
  - Individual investment accounts

- Private-purpose trust funds
  - Fiduciary activities held in trust not required to be reported as pension, other employee benefit, or investment trust funds
When Should a Government Report Assets in a Fiduciary Fund?

Four paths to making this determination:

1. Are the assets held by a component unit?
   - Yes
   - No

2. Are the assets held for a pension or OPEB arrangement?
   - Yes
   - No

Keys =

1 2 3 4

Component Units That Are Postemployment Benefit Arrangements Are Fiduciary if...

They are one of the following arrangements:

1. Pension plan administered through a trust that meets criteria
2. OPEB plan administered through a trust that meets criteria
3. Assets from entities not part of the reporting entity accumulated for pensions
4. Assets from entities not part of the reporting entity accumulated for OPEB
Other Component Units Are Fiduciary if...

They have one or more of the following characteristics:

Assets are:
- Administered through a trust in which government is not a beneficiary
- Dedicated to providing benefits, AND
- Legally protected from the creditors of government

or

- Assets are for the benefit of individuals
- Assets are not derived from government’s provision of goods or services to the individuals AND
- Government does not have administrative involvement or direct financial involvement with the assets

or

- Assets are for the benefit of organizations/governments not part of the reporting entity AND
- Assets are not derived from government’s provision of goods or services to them

Fiduciary component units

- Control is not a factor in determining whether the activity is fiduciary if the entity is a Component Unit.
Arrangement is one of those in 1 AND

The government controls the assets of the arrangement

Control means one or both of the following is true:

- Government holds the assets
- Government has ability to direct the use, exchange, or employment of the assets in a manner that provides benefits to the specified or intended beneficiaries

They are one of the following arrangements:

1. Pension plan administered through a trust that meets criteria
2. OPEB plan administered through a trust that meets criteria
3. Assets from entities not part of the reporting entity accumulated for pensions
4. Assets from entities not part of the reporting entity accumulated for OPEB
Control for those pension or OPEB arrangements that are **not** component units must be evaluated.

Concept Statement No. 4:
- Control of an asset is the ability of the government to utilize the resource's present service capacity and to determine the nature and manner of use of the present service capacity embodied in the resource.
- Restrictions that stipulate assets can only be used for purpose described in custodial agreements/trust do not negate a government’s control.

GASB 84 defines Controls as:
- Government holds the assets
- Government (or designee) has the ability to direct the use, exchange, or employment
  - Having a designee does not relinquish fiduciary responsibility from the government
- Appointing a designee / administrator / contractor doesn’t matter.
- Restriction on assets does not matter.
All Other Activities Are Fiduciary if...

- Arrangement meets one or more of the criteria in 2 AND
- The government *controls* the assets AND
- Those assets are *not* derived either:
  - Solely from the government's own-source revenues, or
  - From grants, with the exception of pass-through grants for which the government does not have administrative or direct financial involvement

Other Component Units Are Fiduciary if...

They have one or more of the following characteristics:

- Assets are:
  - Administered through a trust in which government is *not* a beneficiary
  - Dedicated to providing benefits, AND
  - Legally protected from the creditors of government

- Assets are for the benefit of individuals
- Assets are *not* derived from government's provision of goods or services to the individuals AND
- Government does not have administrative involvement or direct financial involvement with the assets

- Assets are for the benefit of organizations/governments *not* part of the reporting entity AND
- Assets are *not* derived from government's provision of goods or services to them
**Own-Source Revenue**

- Assets associated with activity not derived:
  - solely from the government’s own-source revenue, or
  - from government-mandated or voluntary nonexchange transactions

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**All other Activities (cont.)**

- Criteria for Control of the assets, and
- Assets not derived from own source revenue or govt mandated or voluntary nonexchange:

  1. Administered through a trust or equivalent, government not beneficiary
  2. Dedicated to provide benefits to recipients per the benefit terms
  3. Legally protected from the government’s creditors

  2. Benefit of individuals and government does not have administrative or direct financial involvement with the assets
  3. Not derived from provision of goods and services to those individuals

  3. Benefit of organizations or other governments not part of reporting entity
  4. Not derived from provision of goods and services to those organizations or other governments
Implementation Consideration

Evaluating Whether Activity is Derived from Government’s Own Source Revenue

— Basic principle: the government cannot be a fiduciary for its own resources

| Tuition – Student activity fees | Nursing home patient accounts |
| Other student activity accounts | Deposits (customers vs. other) |
| Jails – Prisoner inmate account | Retainage payable on contracts |
| Property taxes | Employee benefits |
| Tax increment financing (TIFs) | Courts |

Assets *not* derived from certain revenues

— Assets associated with activity *not* derived (1) *solely* from the government’s own-source revenue, or (2) from government-mandated or voluntary nonexchange transactions

- Except for pass-through grants for which the government does *not* have administrative or direct financial involvement (GASB 24 ¶5)
- Examples:

  **Administrative involvement**
  - Monitors secondary recipients for compliance with requirements
  - Determines eligible secondary recipients
  - Ability to exercise discretion on how funds are allocated

  **Direct financial involvement**
  - Finances some program costs through grantor-imposed matching requirement
  - Liable for disallowed costs
Other Activities – Custodial Funds

- Custodial Funds:
  - Report custodial activity not held in a Trust.
  - Report the external portion of an external investment pool that is not held in Trust in a separate “External Investment Pool Fund” column under Custodial Funds.

Stand-Alone Business-Type Activities

A stand alone BTA’s fiduciary activities should be reported in separate fiduciary fund financial statements.

Exception: Resources expected to be held 3 months or less can be reported instead in the statement of net position, with inflows and outflows reported as operating cash flows in the statement of cash flows.
Examples – All Other Activities

- Taxes
  - Property Tax Collected by County on Behalf of City
  - City Sales Tax
- Inmate Funds
- Student Activity Funds or SSO Funds held by the School
- Pass-through Grants
- Customer Deposits
- IRC 457 Plans
- Escheat Funds

Examples – All Other Activities

- Tax Increment Financing
- Patient Accounts
- Retainage Payable on Contracts
- Courts (Litigants, Heirs, Others)
- Employee payroll deductions
- Cemetery Associations
- Asset Seizures
- Cash Bonds
Alternative way to decide fiduciary activities

1. Is the entity a component unit? **If no go to step 3.**

2. Are the assets held for pensions or OPEB arrangements? **If no, go to step 4. If 1 and 2 are yes, then fiduciary reporting.**

3. Does the government control the assets? **If no, stop – not a fiduciary fund. Go to Step 5.**

4. Does the assets meet the revenue and other characteristics? **If no, stop – not a fiduciary fund. If yes – fiduciary fund.**

5. Are the assets held for pension or OPEB arrangements? **If yes, report in a fiduciary fund.**

6. Are the assets not derived from certain revenues? **If no, stop – not a fiduciary fund. If yes – fiduciary fund.**

Component Unit – Postemployment Benefits

- Normally, pension and OPEB plans that are in GASB 67 and GASB 74 compliant trusts are separate legal entities
  - Exposure Draft IG – 4.1; Pension/OPEB Trust are considered legally separate for financial reporting purposes
  - Exposure Draft IG – 4.3; if Pension/OPEB is an equivalent arrangement legally separate is a legal issue. (legal - consider CU criteria, not evaluate control)

- Absent a Board – Common with OPEB and Single Employer Pension Plans
  - Exposure Drat IG – 4.5 – indicate most likely board responsibilities fall to the sponsoring government.
Individual Vs Organization

- Key consideration as one requires consideration of **Administrative Involvement**
  - Individual – Have to consider
  - Organization – No consideration

- Exposure Draft IG 4.17 – Chess Club
  - Assets are for the benefit of an organization if the benefits accrue to the organization as an institution….club is not legally separate…it is not itself an institution. As a result, the provisions in paragraph 11c(2) should be applied.

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What is Administrative Involvement vs. Direct Financial Involvement?

**Administrative Involvement Could Be:**
- Monitoring compliance - (Sub-recipient relationship).
- Determining eligible expenditures (Sub-recipient relationship).
- Having the ability to exercise discretion in how assets are allocated.

**Direct Financial Involvement Could Be:**
- Providing matching resources for the activities. (ex. grant match)
- When liable for disallowed costs (or the sub-recipient through the pass-through-entity).
### GASB Governments

Overview of Reporting Units and Opinion Units  
FOR DISCUSSION PURPOSES ONLY

<table>
<thead>
<tr>
<th>Fund Categories</th>
<th>Reporting Units</th>
<th>Opinion Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governmental Activities</td>
<td>Separate unit</td>
<td>Aggregate all as single unit</td>
</tr>
<tr>
<td>Business-type Activities</td>
<td>Separate unit</td>
<td>&quot;Remaining fund information&quot;: Aggregate all as a single unit</td>
</tr>
<tr>
<td>Discretely Presented Component Units</td>
<td>Separate unit for each</td>
<td>Option to combine</td>
</tr>
<tr>
<td>Each Major Governmental Fund</td>
<td></td>
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<tr>
<td>Aggregate Nonmajor Governmental Funds</td>
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<td>Each Major Enterprise Fund</td>
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<tr>
<td>Internal Service Fund Type</td>
<td></td>
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<tr>
<td>Private-purpose Trust Funds</td>
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<td>Agency Funds</td>
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**Case Studies Derived From ED IG**
Property Tax

- Local School District has levied a property tax for the fiscal year
- Property tax levies are billed and collected by the County Government
- The County collects and remits the amounts associated with the Districts levy monthly as the amounts are collected
- The School District is not part of the reporting entity of the County.

Fiduciary or not fiduciary?

### Evaluation

### Property Tax

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<td>AND</td>
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<tr>
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Conclusion (if you have a yes answer in step 1 and step 2 the activity is fiduciary)
Q—A county collects property taxes on behalf of the other tax-levying governments within its jurisdiction. The county collects a fee, equal to 1 percent of the amount billed, from the other governments to provide this service. The taxes are deposited into the county collector’s property tax distribution account, a custodial fund. Should the county report the fees in the custodial fund with the taxes collected?

A—No. The county is obligated to provide the collection service for which a fee is charged to the other taxing governments. The nature of that transaction is exchange or exchange-like, resulting in own-source revenues of the county. Paragraph 11b(1) of Statement 84 states that an activity is not fiduciary if the assets are derived from the government’s own-source revenues. Therefore, the county should report the fees in its governmental fund financial statements.
Seized assets – ED IG – 4.11

Q—A county sheriff seizes cash and other financial assets from an individual suspected of committing a crime. The cash is deposited in a separate bank account in the county’s name. The seized assets are held by the sheriff until the defendant is tried in court and the court issues a verdict. The case may take years to settle. If the defendant is found guilty, the cash and other financial assets are forfeited. Upon forfeiture, seized cash and other financial assets are distributed to various law enforcement agencies (including the county sheriff) pursuant to the court order. If the defendant is found not guilty, the seized assets are returned to the defendant. Should the county report the holding of the seized cash and other financial assets as a fiduciary activity before a judgment is rendered?

A—Yes. The seized cash and other financial assets are held by the county, and the control criteria in paragraph 12 of Statement 84 are met. The assets are not derived from the county’s own-source revenues because resources held via asset seizures are not the property of the government until a judgment is rendered against the defendant. The assets also are not derived from government-mandated nonexchange transactions or voluntary nonexchange transactions. Finally, the assets are for the benefit of an individual (the defendant), and the county does not have administrative involvement (it is not establishing specific guidelines for how the resources can be spent until after there is a judgment) or direct financial involvement. As a result, the activity (financial assets and related liability) should be reported as a fiduciary activity until a judgment is rendered.
Q—A government uses a clearing account to accumulate resources from withholding of employee payroll deductions and accrued employer payroll taxes that will be submitted to the appropriate taxing bodies when due. Should the government report the clearing account in the fiduciary fund financial statements?

A—No. Although the government has control of the assets because it has custody of the cash withheld, the unremitted amounts in the clearing account are a liability of the government. When the deductions are withheld from an employee’s pay, the amounts withheld and accrued by the employer become a liability of the government. As a result, the government is holding the amounts for its own benefit and the criteria in paragraph 11c of Statement 84 are not met.
Inmate Fund – ED IG 4.25 & 4.15

- Inmates housed in the local government jail are provided an individual inmate account
  - Funded by earnings from jobs
  - Deposits of money when obtained or by family members
- Inmates make purchases as needed,
  - Order magazines/stationary outside the jail
  - Commissary purchases
- Correctional Officer required to provide authorizing signature on outside purchases
  - Signature to ensure outside contraband does not enter facility
- Upon release the balance of the individual account is provided to the individual.

**Fiduciary or not fiduciary?**

### Evaluation

- Inmate Fund

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**Conclusion:** If you have a yes answer in step 1 and step 2 the activity is fiduciary.
Focus is on par. 11(c)(2) of GASB-84 for Student Funds
- For activities not addressed in paragraphs 6-10 (pensions, OPEB, fiduciary component units etc.,) the activity is a fiduciary activity if all the following criteria are met:
  - a. Assets controlled by the government
  - b. The assets associated with the activity are not derived either:
     - (1) Solely from the government’s own source revenues; or
     - (2) From government-mandated nonexchange transactions or voluntary nonexchange transactions, (except for pass-through grants where there is no administrative or direct financial involvement).
  - c. The assets associated with the activity have one or more of the following
     - (1) Assets are held in trust where government is not a beneficiary etc. and assets are legally protected from creditors;
     - (2) Assets are for the benefit of individuals AND the government does not have administrative involvement with the assets and are not derived from provision of goods / services to the individuals.

A school district holds the funds raised by various student clubs, which are not legally separate from the school district.
- There is no school board or school administration policy related to the club’s activities and how the resources can be spent
- The disbursements from the aggregated club account are approved by the faculty advisor (who is representing the school district) assigned to each club.
- Approval, rejection, or modification of the spending is strictly at the discretion of the faculty advisor.
- The funds are not held in a trust or equivalent arrangement.

**Fiduciary or not fiduciary?**
Evaluation

› Student Activity Fund

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Conclusion (if you have a yes answer in step 1 and step 2 the activity is fiduciary)

Student Activity Fund – ED IG 4.21

› Yes. The school district does have administrative involvement. The school district's role is considered to be substantive because in the absence of an approved policy, the faculty advisor (who is acting in the capacity of a school representative) has the ability to reject, modify, or approve how the resources are spent. The faculty advisor’s approval is more than just a formality and is analogous to the example provided in footnote 1 of Statement 84 regarding the determination of eligible expenditures that are established by the government.
Student Activity Fund – ED IG 4.21 modified

- Same consideration except the parent(s) of the club establish how the resources can be spent?

  Fiduciary or not fiduciary?

Student Activity Fund – ED IG 4.22

- Q—A school board establishes and approves a policy related to the receipt, disbursement, and holding of funds for various student clubs and organizations that are not legally separate from the school district. The policy includes specific guidelines related to how the funds raised by the clubs and organizations can be spent. Does the school district have administrative involvement, as discussed in paragraph 11c(2) of Statement 84?
Student Activity Fund – ED IG 4.22

A—Yes. The school district does have administrative involvement. The school district’s role is considered to be substantive because the school has established specific guidelines on how the resources can be spent in an approved policy.

Q—Assume the same facts as in Question 4.22, except that the policy that applies to all clubs only addresses issues such as the authorized account signers and the prohibition of spending for illegal activities. Does the school district have administrative involvement, as discussed in paragraph 11c(2) of Statement 84?
Student Activity Fund – ED IG 4.22

A—No. The school district does not have administrative involvement. The school district’s role is not considered to be substantive because the school has not established specific guidelines regarding how the resources of the clubs and organizations can be spent.

What About Statement 32

With GASB Statement No. 32 many of the 457 plans where no longer reported within the reporting entity.

Does this statement change the treatment under Statement No. 84?
Its Fiduciary Now What?

Fiduciary Fund Types

- Pension/OPEB trust funds – we know these!!

- Investment trust funds - report fiduciary activities from the external portion of investment pools and individual investment accounts that are held in a trust that meets the criteria in paragraph 11c(1).

- Private-purpose trust funds - report all fiduciary activities that (a) are not required to be reported in pension (and other employee benefit) trust funds or investment trust funds and (b) are held in a trust that meets the criteria in paragraph 11c(1).

- Custodial funds - report fiduciary activities that are not required to be reported in the other three trust funds.
FIDUCIARY FUND REPORTING – ONLY ONE MAJOR CHANGE

- Pension and other Employee Benefit Trust Funds – no change
- Investment Trust Funds – no change

- Private-Purpose Trust Funds – no change
- Custodial Funds – NEW
  - Could be Multi-Column
    - External portion of investment pool

Fiduciary Fund Types - Custodial

- Custodial funds
  - Report fiduciary activities not held in trust
  - Report external portion of investment pool not held in trust in separate 'external investment pool fund' column under custodial funds

- Exception: Assets normally expected to be held 3 months or less by a business-type activity
  - May report asset and corresponding liability instead of a separate custodial fund
  - Additions/deductions reported as operating cash inflows/outflows in statement of cash flows
Statement of Change in Net Position - Custodial Funds

- Required to report for Custodial Funds:
  - Agency funds did not report this statement.
- If resources held for three months or less
  - Option to report single aggregated totals for
    - Additions
    - Deductions
  - Example – County collects and remits property taxes to other taxing bodies
    - Addition — *Property taxes collected for other governments*
    - Deduction — *Property taxes remitted to other governments*

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<table>
<thead>
<tr>
<th>Government ABC</th>
<th>Statement of Fiduciary Net Position</th>
<th>Fiduciary Funds</th>
<th>June 30, 2013</th>
<th>(in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension (and Other Employee Benefit) Trust Funds</td>
<td>Investment Trust Funds</td>
<td>Private-Purpose Trust Funds</td>
<td>Custodial Funds</td>
<td></td>
</tr>
<tr>
<td>ASSETS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$184,201</td>
<td>$94,003</td>
<td>$104,747</td>
<td>$58,168</td>
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<tr>
<td>Reserves:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employer</td>
<td>2,123</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employer</td>
<td></td>
<td>83,304</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes for other governments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>178,402</td>
<td>12,188</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sale of investments</td>
<td>32,870</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total reserves</td>
<td>251,406</td>
<td>12,188</td>
<td></td>
<td></td>
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<tr>
<td>Investments at fair value:</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Short-term investments</td>
<td>2,268,960</td>
<td>241,645</td>
<td>61,391</td>
<td></td>
</tr>
<tr>
<td>Bonds, notes, mortgages, and preferred stock</td>
<td>14,119,581</td>
<td>894,870</td>
<td>167,565</td>
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</tr>
<tr>
<td>Common stock</td>
<td>20,324,440</td>
<td></td>
<td></td>
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<tr>
<td>Real estate</td>
<td>3,403,145</td>
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<tr>
<td>International investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mutual funds</td>
<td>1,723,901</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Pooled investment funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Total investments</td>
<td>41,664,336</td>
<td>1,224,267</td>
<td>768,437</td>
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<tr>
<td>Securities lending collateral</td>
<td>1,748,944</td>
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<tr>
<td>Other assets</td>
<td>12,515</td>
<td></td>
<td>31,137</td>
<td>361</td>
</tr>
<tr>
<td>Total assets</td>
<td>44,105,732</td>
<td>2,477,207</td>
<td>253,341</td>
<td>283,496</td>
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<tr>
<td>LIABILITIES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and other liabilities</td>
<td>106,645</td>
<td>1,351</td>
<td>61,447</td>
<td>1,451</td>
</tr>
<tr>
<td>Due to local governments</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Obligations under securities lending</td>
<td>1,296,944</td>
<td></td>
<td></td>
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<tr>
<td>Other long-term liabilities</td>
<td>1,837</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Total liabilities</td>
<td>1,416,862</td>
<td>1,351</td>
<td>61,447</td>
<td>1,451</td>
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<tr>
<td>NET POSITION</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted for:</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Pensions</td>
<td>29,897,562</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Postemployment benefits other than pensions</td>
<td>12,215,343</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Pledges</td>
<td></td>
<td>2,075,946</td>
<td></td>
<td></td>
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<tr>
<td>Other long-term liabilities</td>
<td></td>
<td></td>
<td>300,000</td>
<td>99,057</td>
</tr>
<tr>
<td>Total net position</td>
<td>42,117,145</td>
<td>2,075,946</td>
<td>593,044</td>
<td>99,057</td>
</tr>
</tbody>
</table>
Liability Recognition

- Recognize a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources
  - Events that compel a government to disburse resources occur when 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 the asset.

Liabilities other than those to beneficiaries should be recognized in accordance with existing accounting standards using the economic resources measurement focus.
ED IG Question 4.47

Q—The city’s parks department sponsors a youth soccer program from April through July each year. Registration is free, but each participant is encouraged to contribute to the uniforms and equipment fund. The city has determined that the contributions meet the criteria in Statement 84 to be accounted for in a custodial fund. Should the city recognize a liability in the custodial fund for those expected purchases when the donations are received at registration?

A—No. Liabilities should be recognized when the uniforms and equipment are acquired by the coaches. At that point, the city is compelled to disburse the resources. The city will report net position in the fund for the difference between the resources held and the liabilities incurred.
Stand-Alone Business-Type Activities

- A stand alone BTA’s fiduciary activities should be reported in separate fiduciary fund financial statements.

- Resources expected to be held 3 months or less can be reported instead in the statement of net position, with inflows and outflows reported as operating cash flows in the statement of cash flows.

Reporting Entity Consideration

- As the primary government what is the appropriate treatment of fiduciary funds of a discrete component unit?

- Statement 84 does not affect the current guidance of Statement 34 par. 126.
  - Requires inclusion of the aggregated total of a CU, which does not include its fiduciary funds or fiduciary CU’s.
  - Exception, see next slide.
Someone has to be in charge to gather information – completeness is key

- May take many periods
- May involve legal team and treasurer / CFO
- May involve software changes

Compare each activity against

- GASB-84
- Governmental Fund Provisions in Other Standards
- Enterprise / Proprietary Fund Provisions in Other Standards
- Component Unit Standards

Information could be in

- Laws / regulations (especially student activity funds)
- Contracts
- Trust agreements / similar
- Gather information on revenue sources / uses

DOCUMENT IT – consistent forms a good idea
Could result in

- Reclassification to governmental / enterprise funds
- Reclassification from one fiduciary type to another
- Adjustments
- Redrafting of policies / procedures for fund creation, accounting and reporting
- Systems updating

**DOCUMENT DECISIONS / CHANGES** – consistent forms a good idea

*Implementation Guide* will be final by late spring

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**Materiality - Accountant**

- Add IG question regarding materiality from GASB IG 2015-1 Question 7.4.1

- Q—In preparing financial statements, how should those financial statements be viewed for determining materiality?
  - Quantitative and Qualitative significance
  - Components of remaining fund info consider professional judgement considering relevant qualitative factors and relationship of fund reporting units to other info in the financial statements
  - Quantitative materiality determination for each fiduciary fund type could be made based on the significance of those funds to all fiduciary funds of the reporting government, or it could be based on the significance of those funds to all funds of the government
### Materiality - Auditor

**Overview of Reporting Units and Opinion Units**

**FOR DISCUSSION PURPOSES ONLY**

<table>
<thead>
<tr>
<th>Fund Categories</th>
<th>Reporting Units</th>
<th>Opinion Units</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Governmental Activities</strong></td>
<td>Separate unit</td>
<td>Aggregate all as a single unit</td>
</tr>
<tr>
<td><strong>Business-type Activities</strong></td>
<td>Separate unit</td>
<td>Aggregate all as a single unit</td>
</tr>
<tr>
<td><strong>Discretely Presented Component Units</strong></td>
<td>Separate unit</td>
<td>Aggregate all as a single unit</td>
</tr>
<tr>
<td><strong>Each Major Governmental Fund</strong></td>
<td>Separate unit</td>
<td>Aggregate all as a single unit</td>
</tr>
<tr>
<td><strong>Aggregate Nonmajor Governmental Funds</strong></td>
<td>Separate unit</td>
<td>Aggregate all as a single unit</td>
</tr>
<tr>
<td><strong>Each Major Enterprise Fund</strong></td>
<td>Separate unit</td>
<td>Aggregate all as a single unit</td>
</tr>
<tr>
<td><strong>Aggregate Nonmajor Enterprise Funds</strong></td>
<td>Separate unit</td>
<td>Aggregate all as a single unit</td>
</tr>
<tr>
<td><strong>Pension (and Other Employee Benefit) Trust Funds</strong></td>
<td>Separate unit</td>
<td>Aggregate all as a single unit</td>
</tr>
<tr>
<td><strong>Internal Service Fund</strong></td>
<td>Separate unit</td>
<td>Aggregate all as a single unit</td>
</tr>
<tr>
<td><strong>Investment Trust Funds</strong></td>
<td>Separate unit</td>
<td>Aggregate all as a single unit</td>
</tr>
<tr>
<td><strong>Private Purpose Trust Funds</strong></td>
<td>Separate unit</td>
<td>Aggregate all as a single unit</td>
</tr>
<tr>
<td><strong>Agency Funds</strong></td>
<td>Separate unit</td>
<td>Aggregate all as a single unit</td>
</tr>
</tbody>
</table>

### Audit Materiality is based on the opinion unit

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### Questions?

**The main question I have is, Are you serious GASB?**