

# GASB 84 Fiduciary Funds

## **Veteran Clerks Workshop**

September 26 – Billings

October 1 – Missoula

Denise Williams – Executive Director

Montana Association of School Business Officials

# GASB 84 Fiduciary Funds

## OBJECTIVES

- Make you **aware**
- What is the **new guidance** on fiduciary activities
- What **resources** are available to you
- How do we manage the changes?
  - Focus on **Student Activity Funds**
    - Are they fiduciary activities . . . or not?
      - Yes: custodial fund (or private purpose trust fund)
      - No: governmental fund

# GASB 84 Fiduciary Funds

## AGENDA

- Overview
- Identifying Fiduciary Activities
- Impact on Student Activity Funds
- Resources

# OVERVIEW

- Effective for fiscal years beginning after December 1, 2018 (FY2020)
- Improves guidance for
  - Identifying fiduciary activities
  - Determining the fund type to use
  - How fiduciary activities are to be reported
- Enhances consistency & comparability of financial statements

# OVERVIEW

## Fiduciary Fund Financial Statements

(see Appendix D - Illustration)

- Statement of Fiduciary Net Position
  - Assets
  - Liabilities
  - Net Position
- Statement of Changes in Fiduciary Net Position
  - Additions
  - Deduction
  - Net Position – beginning
  - Net Position - ending

# OVERVIEW

## Prior to GASB 84

### Fiduciary Funds

- Trust Funds
  - Pension Trust Fund
  - Investment Trust Fund
  - Private Purpose Trust Fund
    - Expendable
    - Non-expendable
- Agency Funds

## Now

### Fiduciary Funds

- **Trust Funds** – new definitions; trust agreement or equivalent arrangement should be present
  - Pension Trust Fund
  - Investment Trust Fund
  - **Private Purpose Trust Fund (not req'd to be reported in pension or investment trust funds)**
- **Custodial Funds** – fiduciary activities that are not required to be reported in the above trust fund categories; no trust agreement or equivalent arrangement

# OVERVIEW

## Prior to GASB 84

### Fiduciary Funds

- Trust Funds
  - 81 Private Purpose Trust Fund (Non-expendable)
  - **82 Interlocal Agreement Fund**
  - 83 Investment Trust Fund
  - **84 Student Activity Fund**
  - 85 Misc. Private Purpose Trust Fund (Expendable)
- Agency Funds
  - 86 Payroll Clearing Fund
  - 87 Claims Clearing Fund
  - 88 Investment Earnings Clearing
  - 89 Retirement/COBRA Insurance
  - 95 Cafeteria/Flex Plan

## Now

### Fiduciary Funds

- Trust Funds
  - **81 Private Purpose Trust Fund (Non-expendable)**
  - **\*82 Interlocal Agreement Fund**
  - 83 Investment Trust Fund
  - **85 Misc. Private Purpose Trust Fund (Expendable)**
- Custodial Funds
  - **\*84 Student Activity Fund**
  - 86 Payroll Clearing Fund
  - 87 Claims Clearing Fund
  - 88 Investment Earnings Clearing
  - 89 Retirement/COBRA Insurance
  - 95 Cafeteria/Flex Plan

# OVERVIEW

## Prior to GASB 84

### Fiduciary Funds

- Trust Funds
  - 81 Private Purpose Trust Fund (Non-expendable)
  - **82 Interlocal Agreement Fund**
  - 83 Investment Trust Fund
  - **84 Student Activity Fund**
  - 85 Misc. Private Purpose Trust Fund (Expendable)
- Agency Funds
  - 86 Payroll Clearing Fund
  - 87 Claims Clearing Fund
  - 88 Investment Earnings Clearing
  - 89 Retirement/COBRA Insurance
  - 95 Cafeteria/Flex Plan

## Now

### Fiduciary Funds

- Trust Funds
    - 81 Private Purpose Trust Fund (Non-expendable)
    - **\*82 Interlocal Agreement Fund**
    - 83 Investment Trust Fund
    - 85 Misc. Private Purpose Trust Fund (Expendable)
  - Custodial Funds
    - **\*84 Student Activity Fund**
    - 86 Payroll Clearing Fund
- \*Non-fiduciary activities will be accounted for and reported in a governmental fund**
- 95 Cafeteria/Flex Plan

# OVERVIEW

## Types of Fiduciary Activities

- **Fiduciary Component Units**
  - Includes certain pension and OPEB arrangements
  - Other component units that are fiduciary
- **Pension and OPEB arrangements that are not components units**
- **Other Fiduciary Activities**

# Identifying Fiduciary Activities

**Step 1: Are the assets held by a *component unit* (legally separate entity)?**

**YES**

**NO**

**Step 2: Are the assets held for a pension or OPEB arrangement?**

**YES**

**NO**

**YES**

**NO**

See ¶16a – 6d

See ¶18a – 8c and 9

See ¶10a – 10d

Must meet certain criteria

**OTHER FIDUCIARY  
ACTIVITIES**

See ¶11 - 13

# Other Fiduciary Activities

Must meet **all** of the following criteria

¶11a Control of the assets, **and**

¶11b Source of the assets **and**

¶11c Other characteristics [at least one of the following]

(1) Trust agreement or equivalent arrangement, **or**

(2) Benefit of individuals and the govt has **no**  
***administrative involvement*** or ***direct financial involvement*** with the assets, **or**

(3) Benefit of organizations or other governments that are not part of the financial reporting entity

# Other Fiduciary Activities

## ¶11a **Control of Assets**

(¶12) A government controls the assets if it

- Holds the assets, *or*
- Has the ability to direct the use, exchange or employment of the assets in a manner that provides benefits to the specified or intended recipients

# Other Fiduciary Activities

¶11b Source of Assets **NOT** derived either:

- Solely from the government's own-source revenues (¶13), *or*
- Government-mandated nonexchange or voluntary nonexchange transactions
  - exception: pass-thru grants where gov't has no administrative involvement or direct financial involvement

*“own-source”* revenues are those generated by a government itself, such as taxes

# Other Fiduciary Activities

¶11c Other characteristics [at least one]

(1) trust agreement or equivalent arrangement

- Gov't itself is not a beneficiary, **and**
- Assets are dedicated to providing benefits to recipients, **and**
- Assets are legally protected from creditors of the government

# Other Fiduciary Activities

¶11c Other characteristics [at least one]

(2) Assets are for the benefit of individuals and govt has **no administrative involvement** or ***direct financial involvement*** with the assets

Who calls the shots?

- Monitors compliance with the requirements of the activity
- Determines eligible expenditures
- Has ability to exercise discretion over how the assets are allocated
- Provides matching resources for the activities

# Other Fiduciary Activities

¶11c Other characteristics [at least one]

**(3)** benefit of organizations or other governments that are *not* part of the financial reporting entity and are *not* derived from the government's provision of goods or services to those organizations or other governments

# STUDENT ACTIVITY FUNDS

- Review chart
- Look at your Fund 84 sub-accounts



# STUDENT ACTIVITY FUNDS

[20-9-504, MCA](#) Extracurricular fund for pupil functions

[ARM 10.10.304](#) Student Extracurricular Activity Funds

**Board Policy** – example: MTSBA Model Policy 7425 and other policies and procedures adopted by the trustees and administration



IMPORTANT IN DETERMINING  
ADMINISTRATIVE INVOLVEMENT AND  
FINANCIAL INVOLVEMENT

# STUDENT ACTIVITY FUNDS

National Center for Education Statistics (NCES)  
Financial Accounting for Local & State School Systems

\*Chapter 8: Activity Fund Guidelines

Types of Activity Funds

- **Student activity funds**

- support activities based in student organizations
- students involved in managing/directing the activities
- students and sponsor approve disbursement of \$\$

- **District activity funds**

- belong to the district
- used to support its co-curricular and extra-curricular activities
- administered by the school district

\*Note: they are re-writing this section for GASB 84

# Other Fiduciary Activities

## ¶11a Control of Assets



(¶12) A government controls the assets if it

- \* Holds the assets, *or*
- \*\* Has the ability to direct the use, exchange or employment of the assets in a manner that provides benefits to the specified or intended recipients

*\*20-9-504, MCA “All extracurricular money of a pupil organization of the school must be deposited and expended by check from a bank account maintained for the extracurricular fund.”*

**\*\*** Faculty advisors for clubs are district employees

# STUDENT ACTIVITY FUNDS

¶11b Source of Assets **NOT** derived either:

- Solely from the government's own-source revenues (¶13), *or*
- Government-mandated nonexchange or voluntary nonexchange transactions

➤ Fundraisers

➤ Pay-to-Play

➤ Fees for special trips or events



**YES**

# Other Fiduciary Activities

¶11c Other characteristics [at least one]

(1) trust agreement or equivalent arrangement

- Gov't itself is not a beneficiary, **and**
- Assets are dedicated to providing benefits to recipients, **and**
- Assets are legally protected from creditors of the government



# Other Fiduciary Activities

¶11c Other characteristics [at least one]

(2) Assets are for the benefit of individuals and govt has ***no administrative involvement*** or ***direct financial involvement*** with the assets

Who calls the shots?

- Monitors compliance with the requirements of the activity
- Determines eligible expenditures
- Has ability to exercise discretion over how the assets are allocated
- Provides matching resources for the activities

# STUDENT ACTIVITY FUNDS

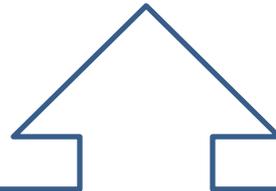
## ***WHO IS CALLING THE SHOTS?***

- School board establishes the fees charged by the clubs to their members.
- Student club president and members of club establish how the resources raised can be spent.
- Parents of the club members establish how the resources raised can be spent.
- Faculty advisor of the club establishes how the resources raised can be spent.
- School board establishes policy including specific guidelines on spending.
- State establishes guidelines through an administrative policy on how the resources raised can be spent.
- School district matches all student club funds.

# Other Fiduciary Activities

¶11c Other characteristics [at least one]

(3) benefit of organizations or other governments that are **not** part of the financial reporting entity and are **not** derived from the government's provision of goods or services to those organizations or other governments



shutterstock.com • 437357623

Is the district holding the cash for its own benefit?

Yes: this criteria is not met

No: this criteria could be met

# STUDENT ACTIVITY FUNDS

## PRACTICAL ADVICE

- All student activity funds are not fiduciary.
- Continue to use Fund 84 until OPI says otherwise.
- For financial reporting purposes, report as a special revenue fund on government-wide statements.



# RESOURCES

- GASB website
  - [GASB Statement 84 Fiduciary Activities](#)
  - [Implementation Guide no. 2019-2](#), Fiduciary Activities
- ASBO International (must have member log in)
  - July 2019 Webinar: How the New Fiduciary Standards Impact Financial Statements
- Noteworthy articles
  - GASB Statement 84: [The changing landscape of fiduciary activities](#) (Michelle Lewis, December 11, 2018, Plante & Moran, PLLC)
  - GASB 84: [Legal Considerations](#) for Public Schools in Michigan (Miller Canfield, June 5, 2019, [www.millercanfield.com](http://www.millercanfield.com))
  - A [Renewed Focus on Student Activity Funds](#) (Eric Berman, January 2018, EideBailly)

# Other Items of Note

- Scholarship Funds
  - If district determines who is the recipient, it's not fiduciary (administrative involvement exists); report in special revenue fund
  - If donor determines recipient (no administrative involvement) – then fiduciary; report in private purpose trust fund or custodial fund
- Payroll and Claims Clearing Funds
  - No more Agency Funds

