

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
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OVERVIEW

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Fiduciary Funds

- Trust Funds
 - 81 Private Purpose Trust Fund (Non-expendable)
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 - 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

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- * 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



YES

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**
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Other Fiduciary Activities

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STUDENT ACTIVITY FUNDS

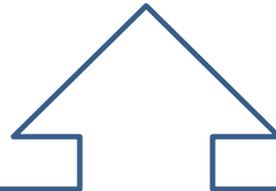
WHO IS CALLING THE SHOTS?

- 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



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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)
 - 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

