

GASB No. 84 Fiduciary Activities

GASB 83 ARO's

Central Florida GFOA - November 22, 2019



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GASB No. 84 Fiduciary Activities

Summary Issued January 2017 for Years
Beginning After 12/15/18

**Establishes Criteria for Identifying
Fiduciary Funds**

**Some Changes to FS - No More
Agency Funds**



GASB No. 84 Fiduciary Activities

How To Implement:

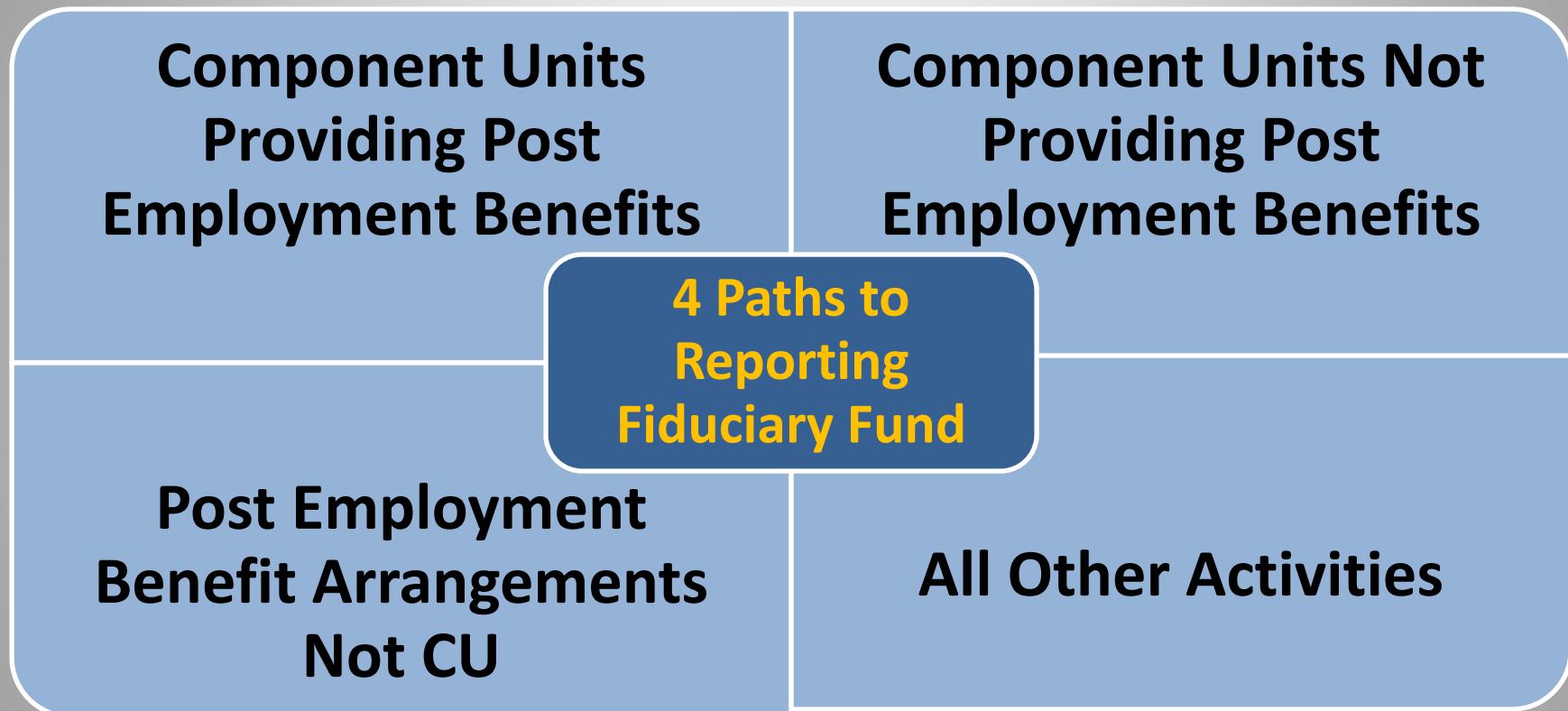
Apply Retroactively by Restating FS of all Prior Periods Presented

**If not Practical to Restate All Prior Periods
Restate Beginning NP for Earliest Year
Information is Available**

Note Disclosure in Initial Year on Nature and Effect of Restatement



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Fiduciary Component Unit Criteria (GASB No. 14 & 39)

Legally Separate Entity

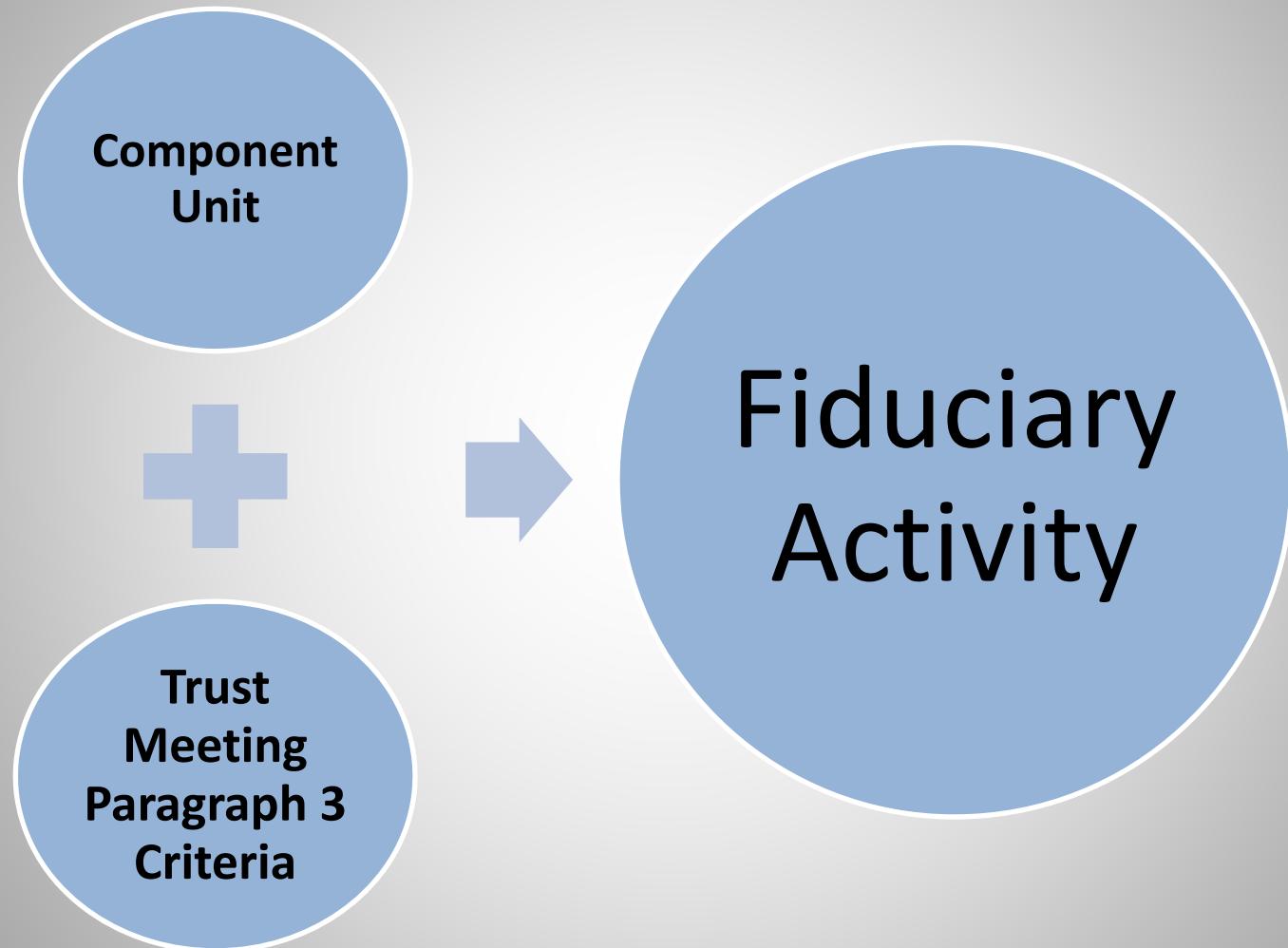
- Generally Pensions and OPEB plans administered through a trust are considered legally separate entities

Primary Government Financially Accountable

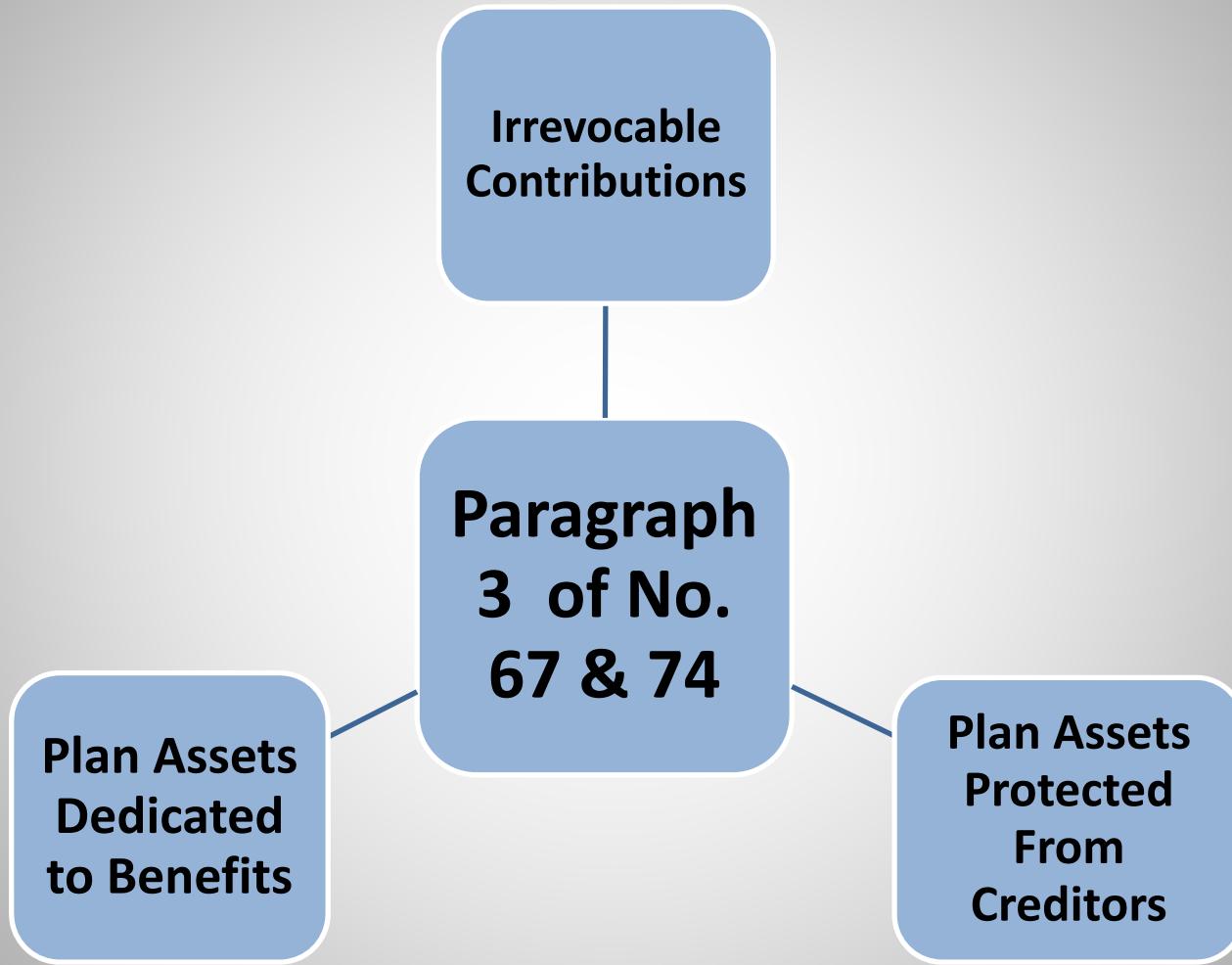
- Appoints voting majority of Governing Board and Impose Will or Benefit Burden, or Financially Dependent plus Benefit Burden



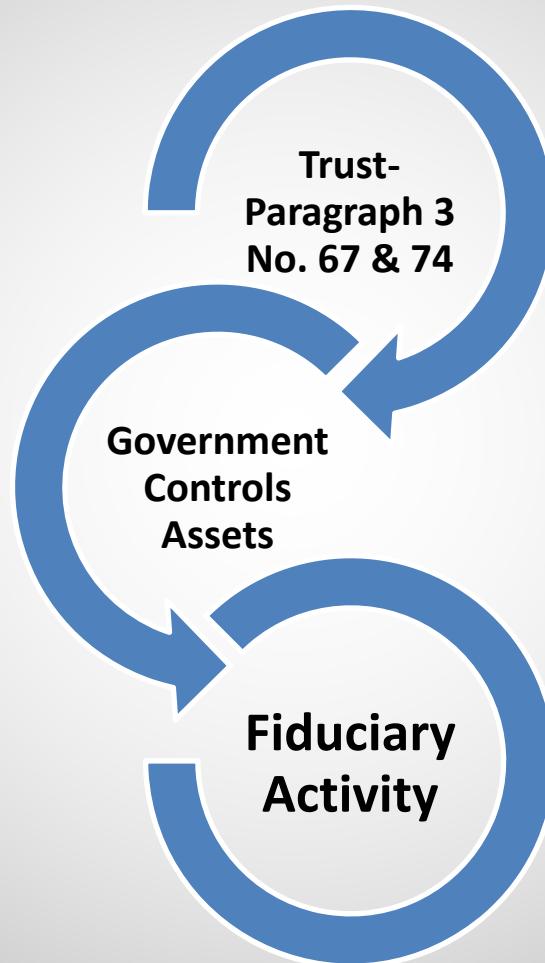
Component Units Providing Post Employment Benefits



GASB No. 67 & 74 Paragraph 3 Criteria



Post Employment Benefit Arrangements Not Component Unit



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Definitions;

- ***CONTROL*** – a government controls the assets of an activity if it holds the assets or has the ability to direct their use (even if that ability is outsourced to a third-party)
- ***ADMINISTRATIVE INVOLVEMENT*** is defined by example, and includes monitoring compliance, determining eligibility, and has the ability to exercise discretion in how funds are allocated



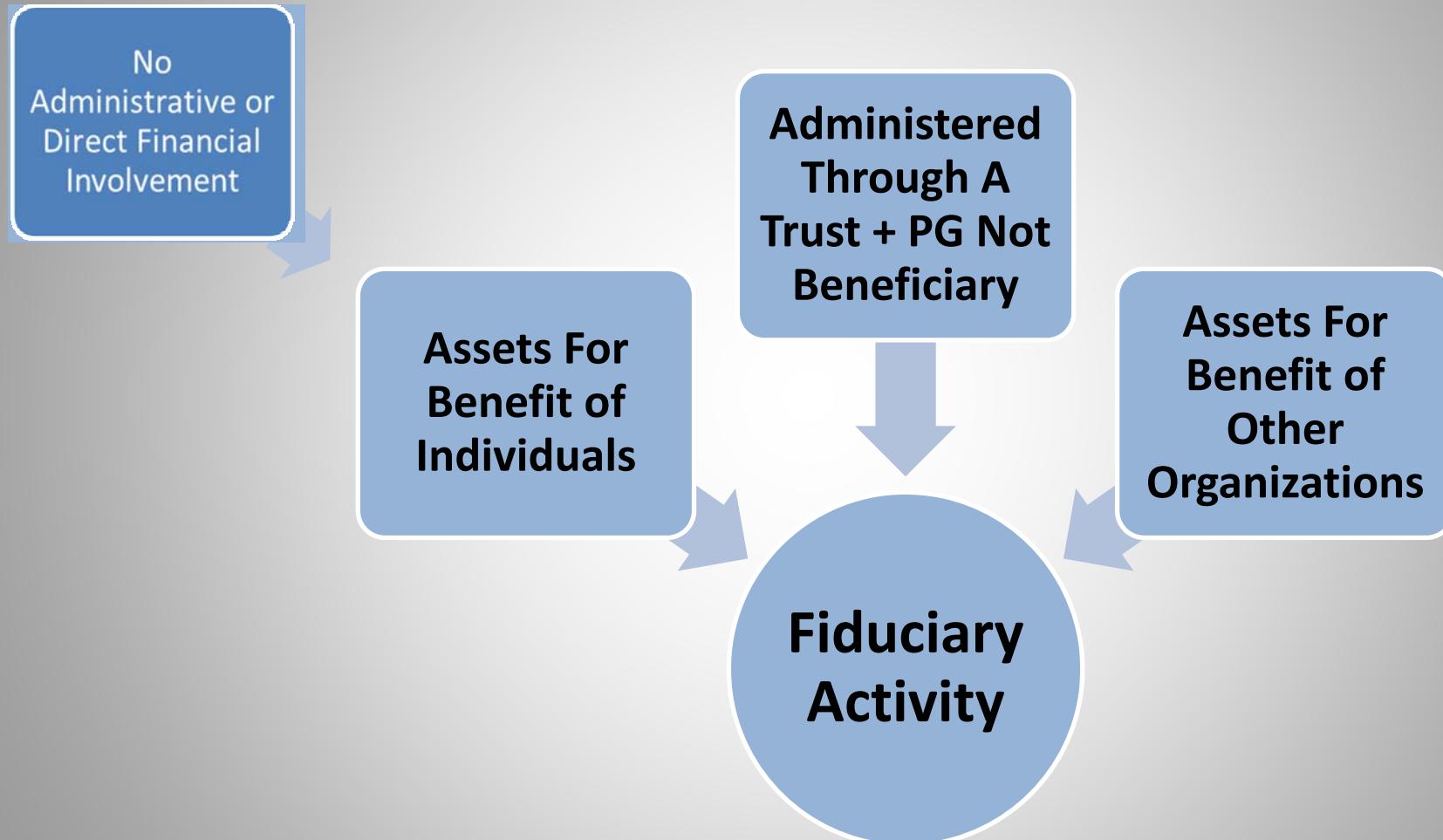
GABS No. 84 Fiduciary Activities

Definitions

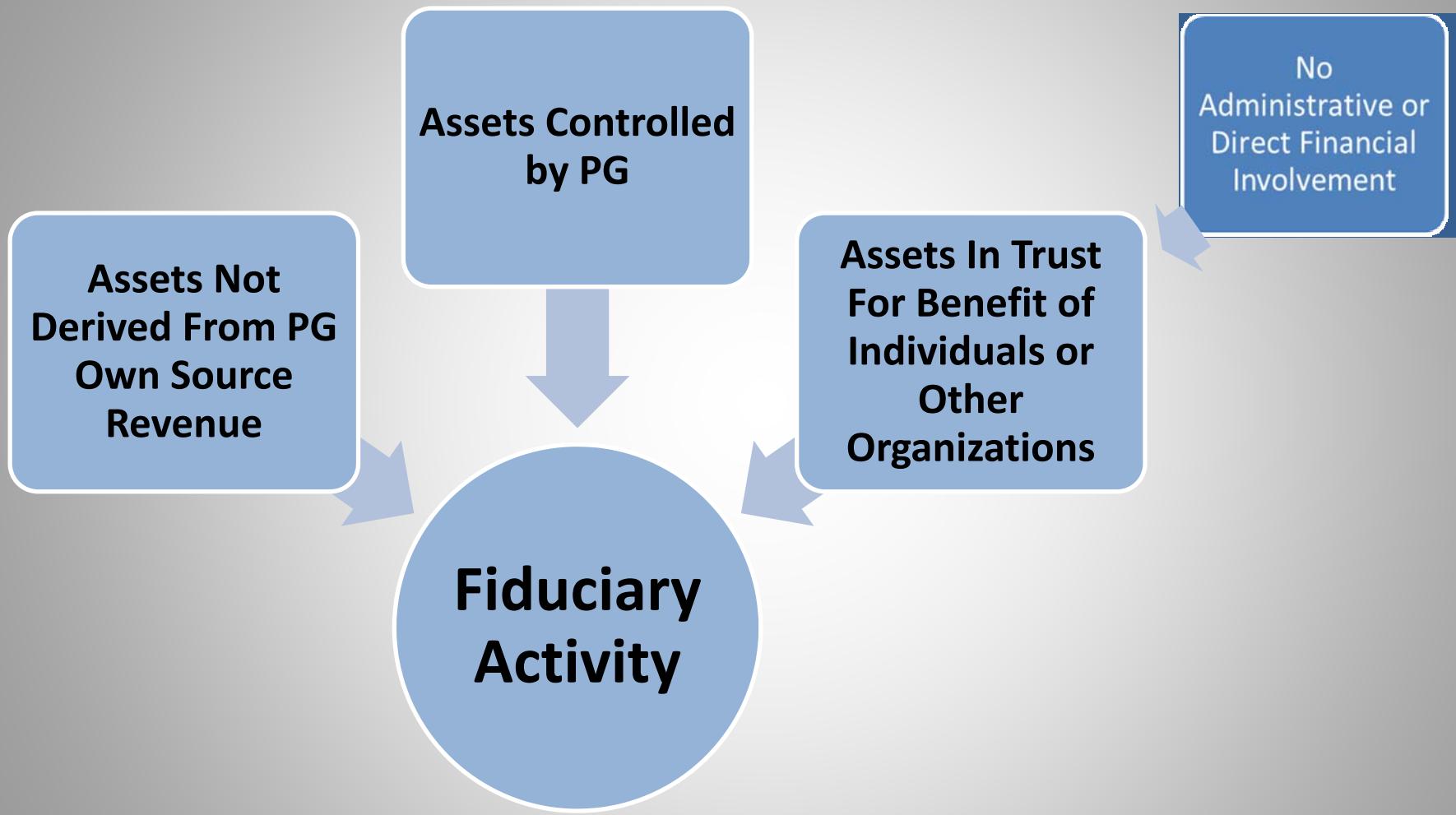
- **DIRECT FINANCIAL INVOLVEMENT** is defined by example, and includes providing matching dollars or being liable for disallowed costs
- **OWN SOURCED REVENUES**—revenues that are generated by a government itself such as taxes, charges for services, and investment earnings



Component Units Not Providing Post Employment Benefits (Any One)



All Other Activities (All Must Be Met)



If Not Fiduciary Activities, Then What?

Special Rev Fund

Proprietary Fund

Entire Activity
(Budget?)

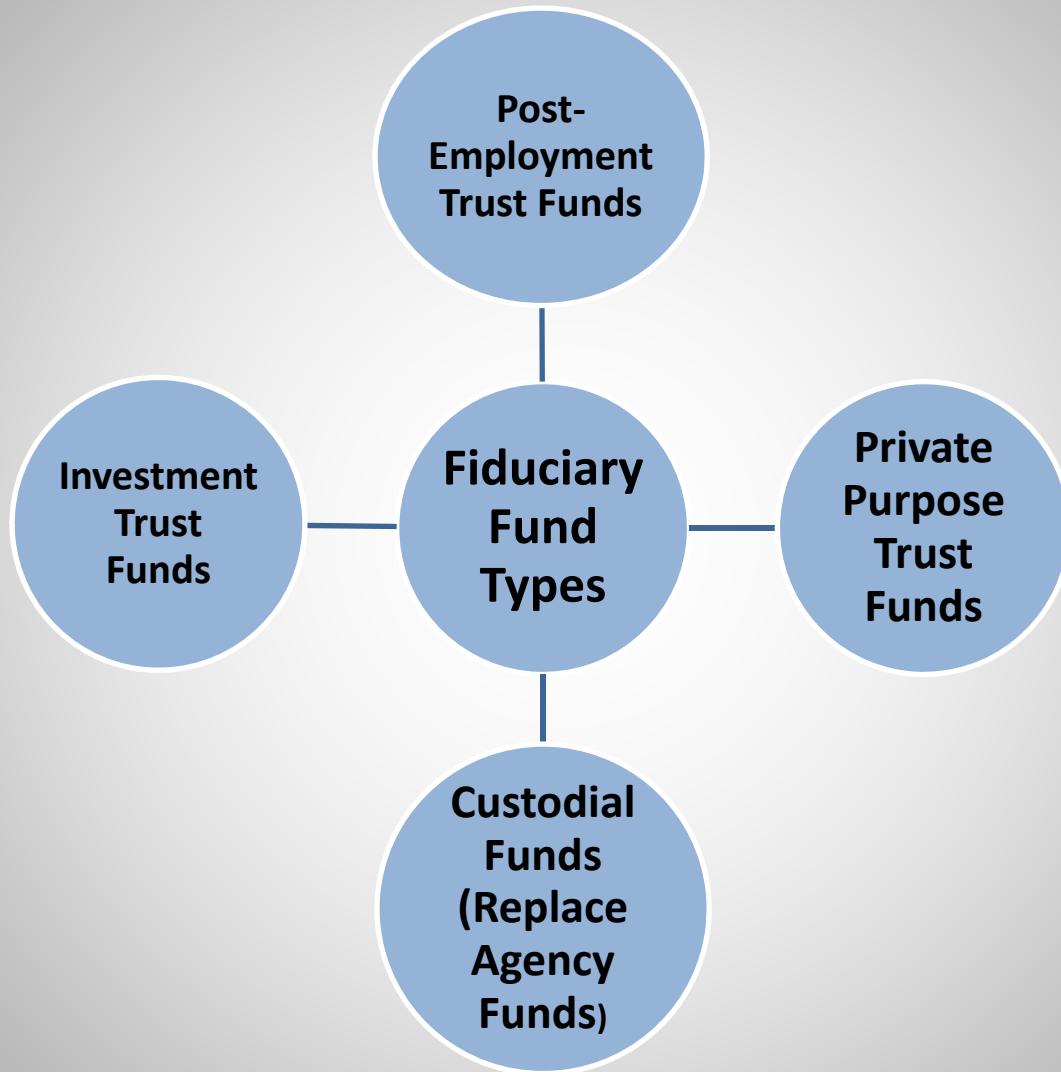
Asset and Liability

Included in Govt. Wide
Financial Statements

Included in Govt. Wide
Financial Statements



Four Types Of Fiduciary Funds



Types of Fiduciary Funds

1. Pension (and other employee benefit) trust funds are used to report fiduciary activities for the following:
 - Pension plans and OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively
 - Other employee benefit plans for which (1) assets are held in a trust in which the government itself is not a beneficiary, the assets are dedicated to providing benefits to recipients in accordance with the benefit terms, and are legally protected from the creditors of the government and (2) contributions to the trust and earnings on those contributions are irrevocable.
2. Investment trust funds are used to report fiduciary activities from the external portion of investment pools and individual investment accounts that are held in a trust that meets the specific criteria (dedicated and protected).



Types of Fiduciary Funds

3. Private-purpose trust funds are used to report all fiduciary activities that:

- Are not required to be reported in pension (and other employee benefit) trust funds or investment trust funds and
- Are held in a trust that meets the specific criteria (dedicated and protected).

4. Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds.



Fiduciary Financial Statements

**Now
Required:**

Statement of Fiduciary Net Position

Statement of Changes FNP

No More Agency Fund Format



Statement of Fiduciary Net Position

Pension (and other employee benefit) trust funds follow GASB 67/74

All others, recognize liability to beneficiaries when an event has occurred that compels the government to disburse fiduciary resources



Statement of Changes in Fiduciary Net Position

Reports additions to and deductions from fiduciary funds

Disaggregate and present by source:

- Investment earnings
- Investment costs
- Net investment earnings

Custodial funds may report a single aggregated amount for additions and a single aggregated amount for deductions if typically held for three months or less



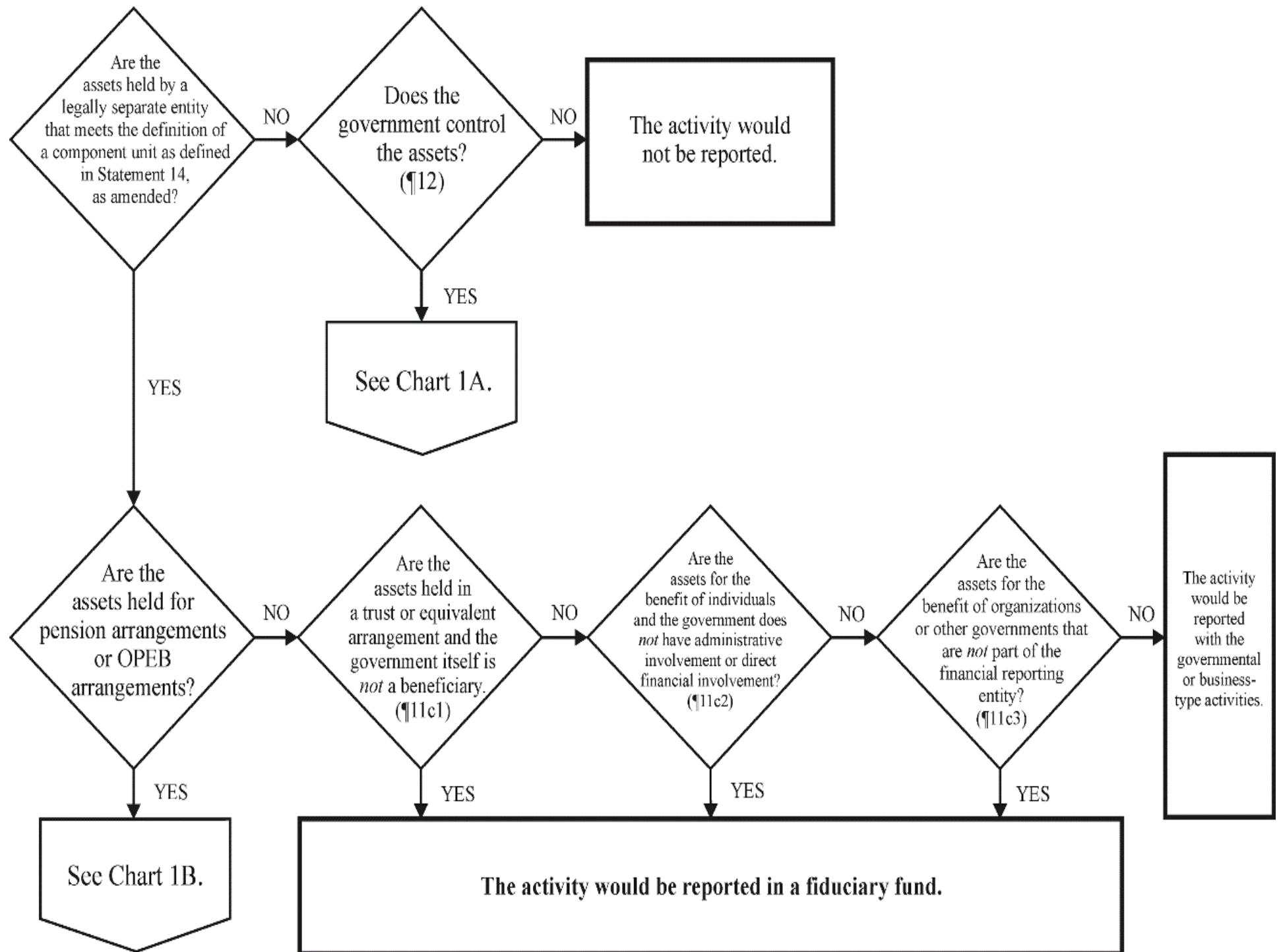
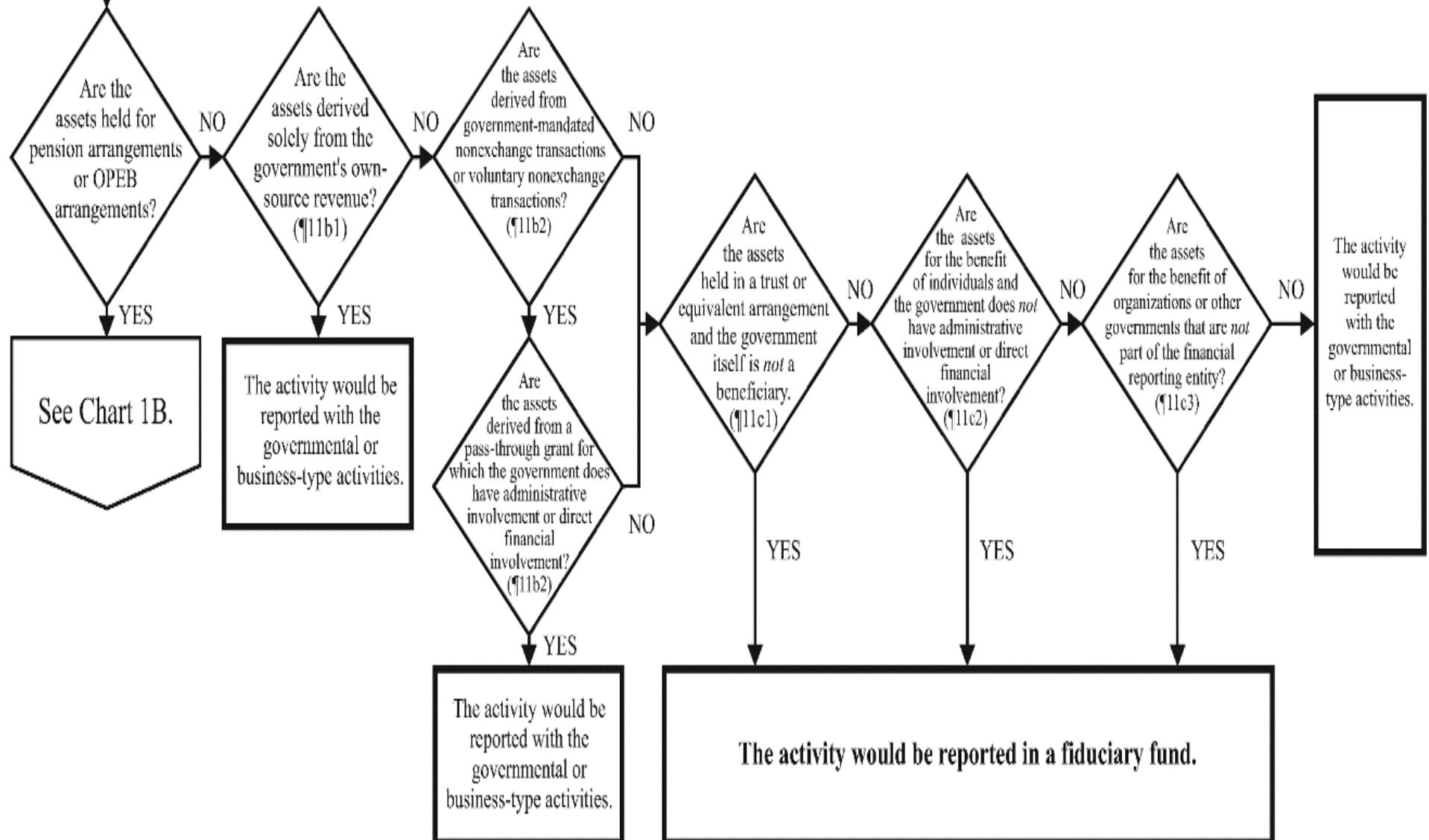


Chart 1



School District Internal Accounts

- A school district maintains funds raised by and belonging to various student groups & clubs, formerly reported as Agency Fund
 - Do Faculty advisors/Sponsors constitute administrative involvement?



School District – Internal Accounts

1. Assets held by legally separate component unit? – No
2. Does the government control the assets? – Yes
3. Are the assets held for pension/OPEB? – No
4. Assets derived from own source revenue? – No
5. Assets derived from non-exchange transactions? – No
6. Assets held in trust and gov. not beneficiary? – No
7. ***Administrative or direct financial involvement? – Yes/No?***
8. Assets for others outside reporting entity? – No

Not a Fiduciary Activity?, Most Likely a SRF?, Needs to be Budgeted?



1.1. Q—A student club is established in accordance with the school district's operating policies. The club is not legally separate from the school district. The students of the club conduct fundraising events, the proceeds of which are deposited into a savings account held by the school district. The student club president, with the members of the club, establishes how the resources can be spent and approves disbursements from the account. Does the school district have administrative involvement, as discussed in paragraph 11c(2) of Statement 84?

A—No. Footnote 1 of Statement 84 provides examples to consider when determining whether a government has administrative involvement. In assessing whether a government has administrative involvement, a “substance versus form” consideration is appropriate. For example, the government’s role would have substance if the school board, school administrator, or faculty advisor (who is representing the school district) establishes how the resources can be spent through approved policies. In that scenario, the students (the beneficiaries) are establishing how the resources can be spent, and, therefore, the school district does *not* have administrative involvement and the criterion in paragraph 11c(2) of Statement 84 is met.

1.2. Q—Assume the same facts as in Question 4.18, except that the parents of the club members establish how the resources can be spent. In that scenario, does the school district have administrative involvement, as discussed in paragraph 11c(2) of Statement 84?

A—No. The school district does *not* have administrative involvement. The parents of the students (representatives of the beneficiaries) and not the school board, school administrator, or faculty advisor are establishing how the resources can be spent.



- 1.1. Q—A school district holds the funds raised by various student clubs, which are not legally separate from the school district. The funds are used to pay for various club activities during the year. There is no school board or school administration policy related to how the resources of the club 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. Does the school district have administrative involvement, as discussed in paragraph 11c(2) of Statement 84?
- A—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 district 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.
- 1.2. Q—A school board establishes and approves a policy related to the disbursement of funds for various student clubs that are not legally separate from the school district. The policy includes specific guidelines related to how the funds raised by the clubs can be spent. Does the school district have administrative involvement, as discussed in paragraph 11c(2) of Statement 84?
- 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.



1.1. —Assume the same facts as in Question 4.21, 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?

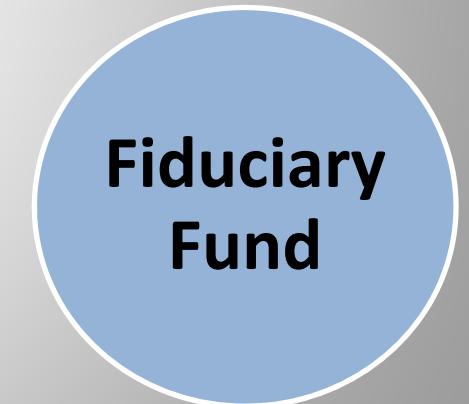
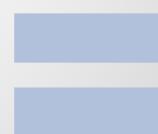
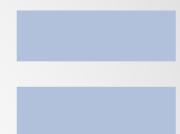
A—No. The school district does *not* have administrative involvement. The school district's role is *not* considered to be substantive because the school has not established specific guidelines regarding how the resources of the clubs can be spent.

1.2. Q—Assume the same facts as in Question 4.21, except that the state establishes specific guidelines on how the resources can be spent through administrative policy. Does the school district have administrative involvement, as discussed in paragraph 11c(2) of Statement 84?

A—Yes. The school district does have administrative involvement. The school district's role is considered to be substantive because the school district is required to follow the specific guidelines established by the state, through legislation or policy, regarding how the resources can be spent.



ED IRC 457 Deferred Comp Plans That Meet the Definition of a Pension Plan



GASB 83 Asset Retirement Obligations



ARO Definition

Legally enforceable liability associated with the retirement of a tangible capital asset.

External Laws

Regulations

Legally
Enforceable

Contracts

Court Judgements



When & How To Book

Incurred &
Estimable

Best Estimate of
Current Value

Corresponding DO
Amort Asset Life

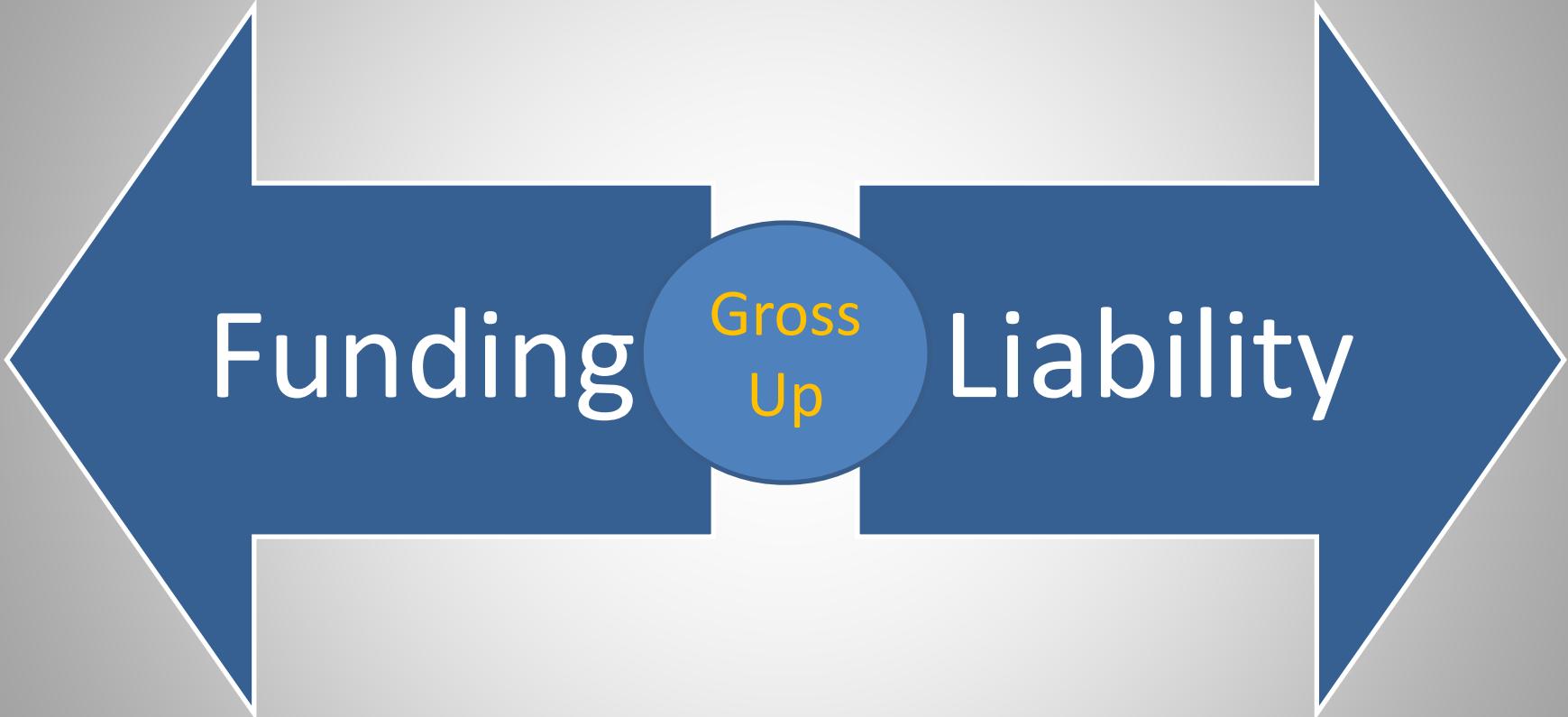
Adjust For Inflation
Annually

Adjust For Changes In
Tech/Legal/Equip

Economic Resource
FS Only Retroactive



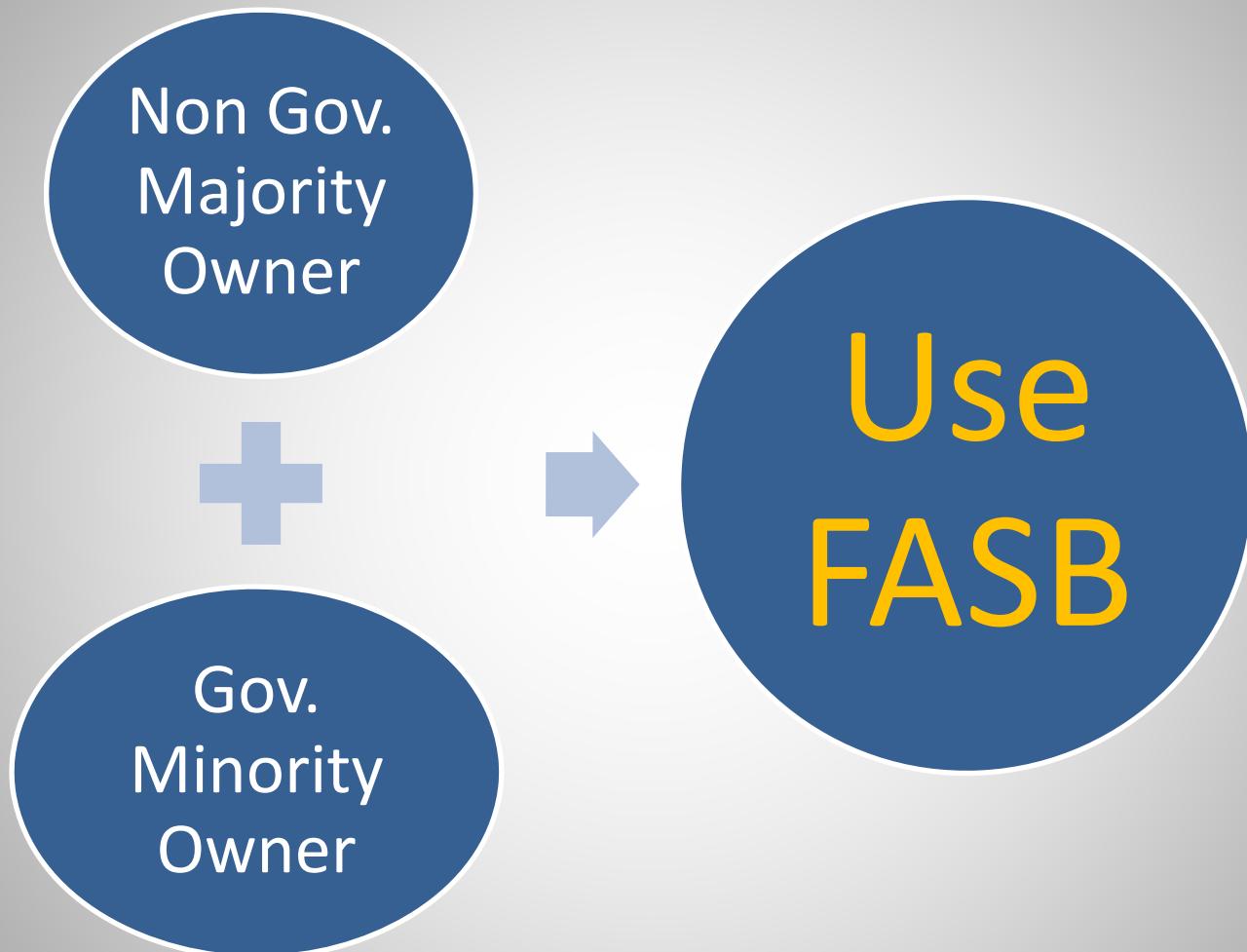
No Netting If Funding Required



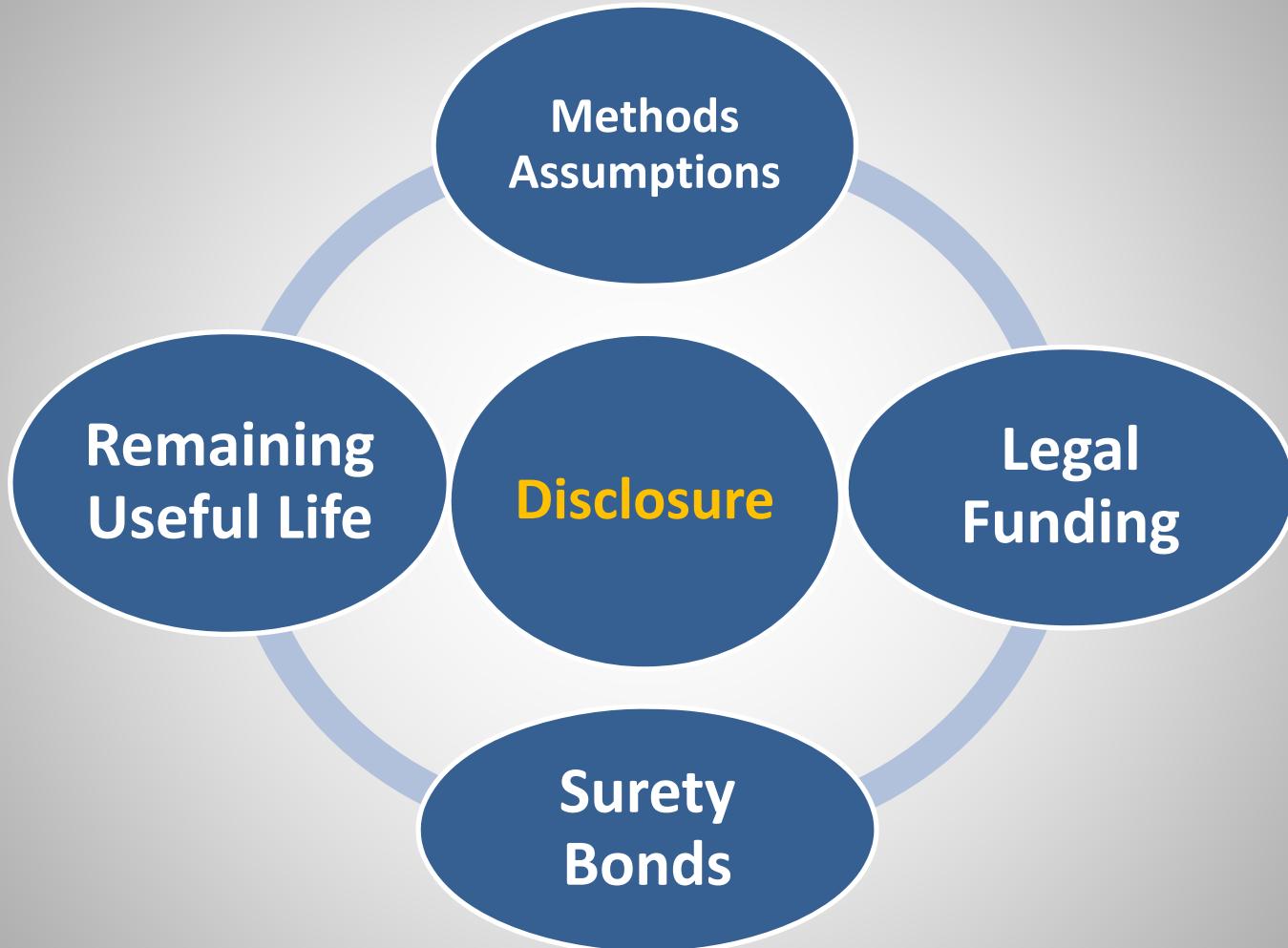
Funding Gross Up Liability



Non Governmental Majority Owner



Required FS Disclosure



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