



WEDNESDAY'S
News You Can Use

**MAULDIN
& JENKINS**

GASB 84: Fiduciary Activities – Let's Get it Right!

Presented by: **Joel Black, CPA**



Carl Vinson
Institute of Government
UNIVERSITY OF GEORGIA



Today's Presenter

Joel Black, CPA, is a partner with Mauldin & Jenkins LLC specializing in serving local and state governmental and nonprofit entities throughout the Southeast. He has 24 years of experience providing attestation, consulting and instructional services. Joel currently serves on the AICPA's State and Local Government Expert Panel. His responsibilities have included responding to GASB exposure drafts on behalf of the profession, instructing at national conferences, and updating and re-writing several chapters of the AICPA Accounting and Audit Guide for State and Local Governments and the AICPA Audit Guide on Government Auditing Standards and OMB Circular A-133.

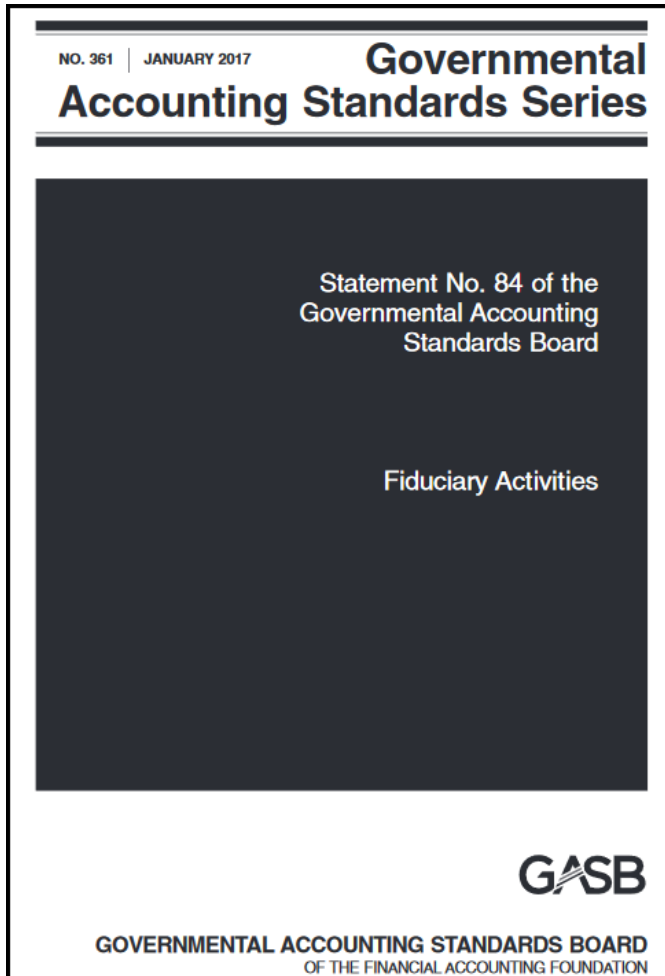


Learning Objectives

At the end of this session, you should be able to:

- Recall the criteria for identifying fiduciary activities
- Differentiate between the generic funds within the fiduciary category
- Recall the financial reporting requirements for the statement of fiduciary net position and the statement of changes in fiduciary net position
- Discuss practical steps for implementing the new standard

GASB 84 – Fiduciary Activities



GASB 84 -

Fiduciary Activities

***Effective for periods
beginning after December
15, 2018
(fiscal years 12/31/19 and
6/30/20)***

What is a Fiduciary?



Fiduciary generally means when you are holding something for someone else



When Should a Government Report Assets in a Fiduciary Fund?

Four paths to making this determination:

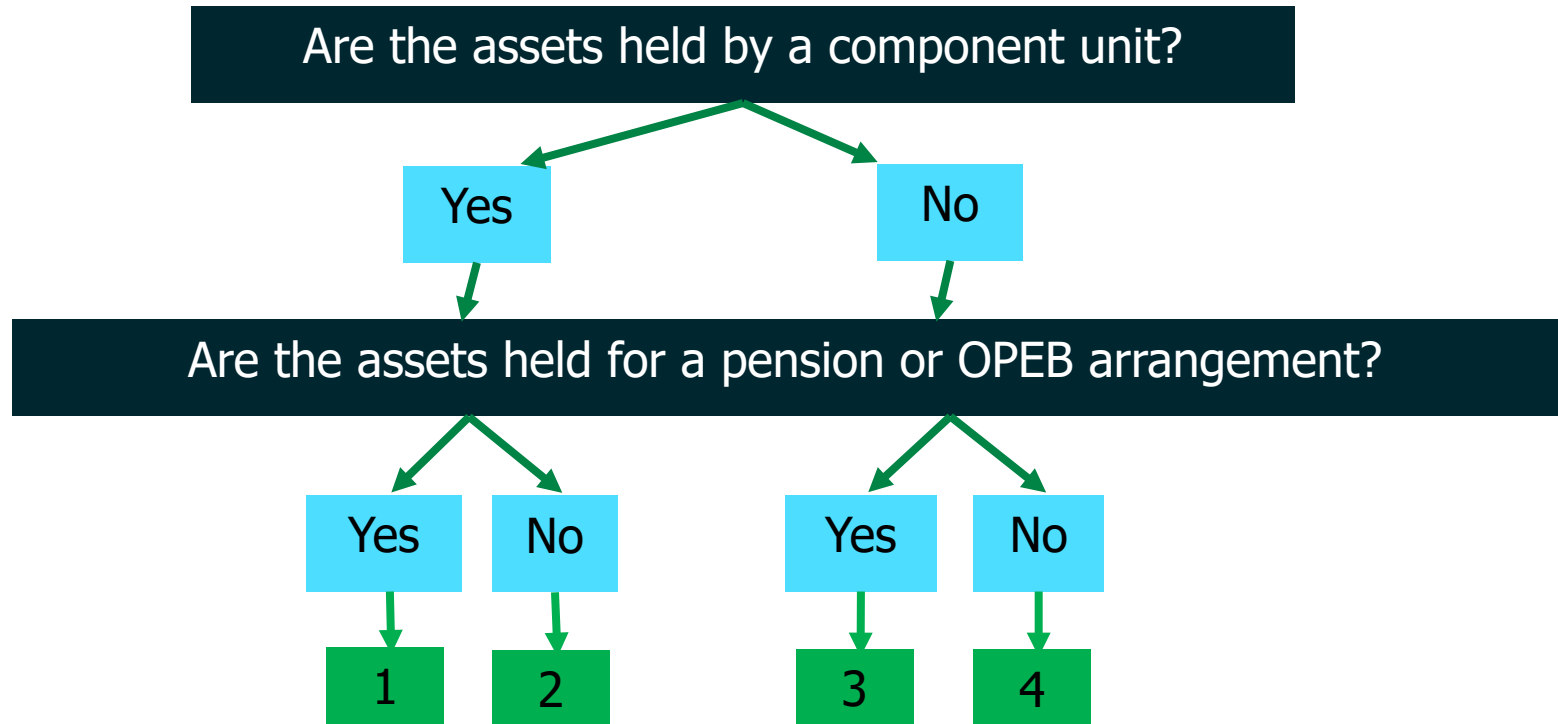
1. *Component units that provide **postemployment benefits***
2. *Component units that **do not provide postemployment benefits***
3. *Postemployment benefit arrangements that are **not component units***
4. *All other activities*

If an activity is a fiduciary activity of a government, then it should be reported as a fiduciary fund of that government



When is an Activity Fiduciary?

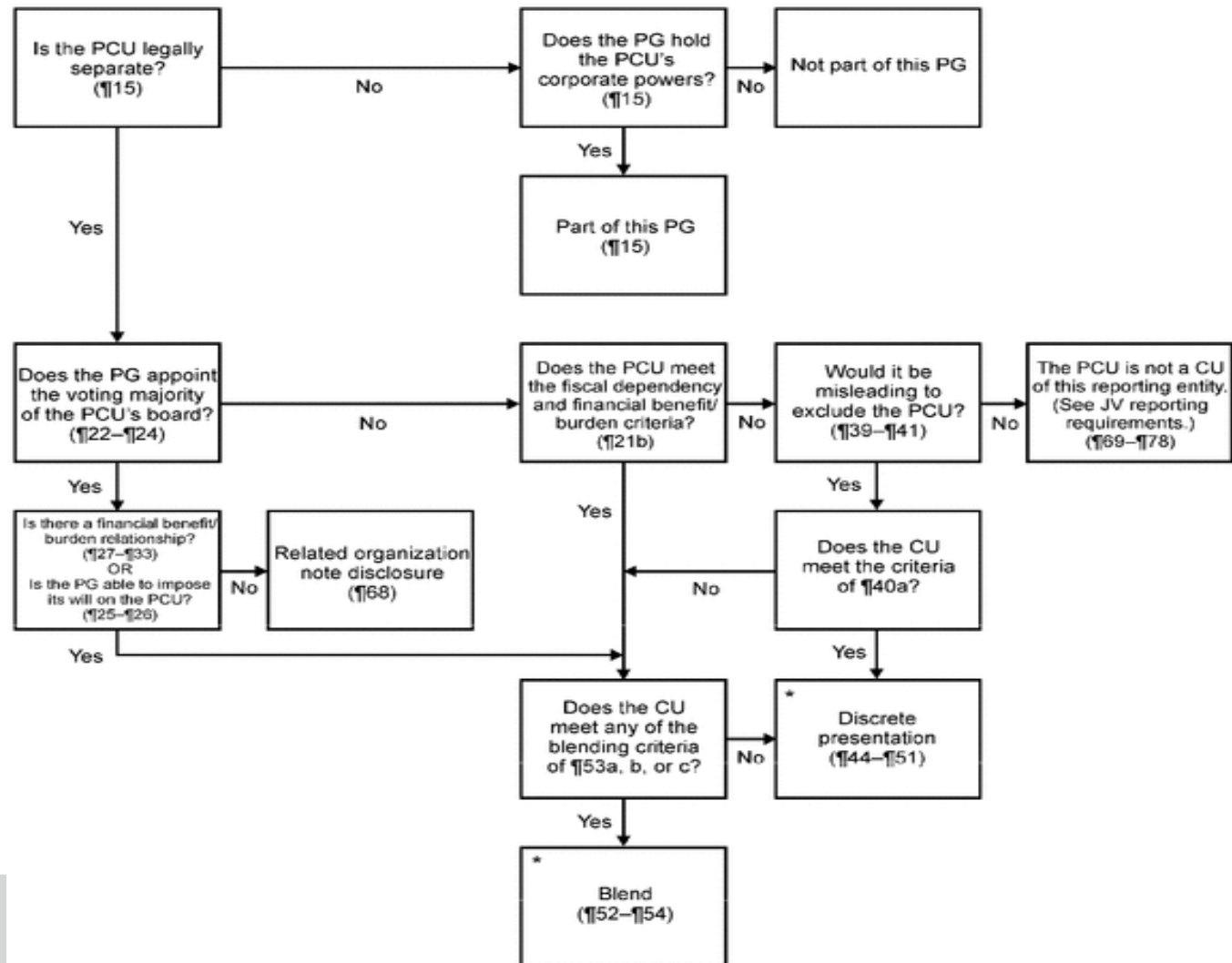
Four paths to making this determination:



Component Unit Review

When is an entity a Component Unit?

A Refresher



Component Units That Provide Postemployment Benefits Are Fiduciary if...

They are one of the following arrangements:

1

A pension plan that is administered through a trust that meets the criteria in paragraph 3 of Statement 67

An OPEB plan that is administered through a trust that meets the criteria in paragraph 3 of Statement 74

A circumstance in which assets from entities that are not part of the reporting entity are accumulated for pensions as described in paragraph 116 of Statement 73

A circumstance in which assets from entities that are not part of the reporting entity are accumulated for OPEB as described in paragraph 59 of Statement 74

GASB 84 – Proposed IG* Question

Q—A local government provides defined benefit pensions to its employees through a pension plan that is **administered through a trust** that meets the criteria in paragraph 3 of Statement 67. The **plan is governed by a five-member board**. The local government appointed the initial plan member representatives to the pension plan board, whose terms expired sequentially over the first five years. **Successor pension plan board members were elected by the retired and active plan members**. The pension plan board is the trustee for the assets in the plan and approves all decisions related to the investment of the assets in the plan. The local government cannot unilaterally abolish the plan. The local government has determined that the fiscal dependency criteria in paragraph 16 of Statement 14 are not met. Therefore, the characteristics of financial accountability in paragraph 21b of Statement 14, as amended, are not present. **Is the local government financially accountable for the plan** under the requirements of paragraph 21a of Statement 14, as amended?

*Implementation Guide

GASB 84 – Proposed IG Question

A—No. The plan **does not** meet the criteria for **financial accountability** in paragraph 21a of Statement 14, as amended, because it does not appoint a voting majority of the organization's governing body as discussed in paragraphs 22–24 of Statement 14. Specifically, the local government appointed the initial pension plan board with no continuing appointment authority, and the local government does not have the unilateral ability to abolish the pension plan.

Not a component unit – but would still move to path 3 for fiduciary consideration

GASB 84 – Proposed IG Question

Q—Pursuant to enabling state legislation, a city established a defined benefit pension plan through which the city provides pensions to its employees. The **pension plan is administered through a trust** that meets the criteria in paragraph 3 of Statement 67. **Five of the seven members of the pension plan board are appointed by the city council**, and two members are elected by the plan members. A provision in the enabling legislation **imposes an obligation on the city to make contributions to the plan**. The city has determined that it is not able to impose its will on the plan. Because the trust meets the criteria in paragraph 3 of Statement 67, the city cannot access the resources of the plan. Furthermore, the city is not obligated in any manner for the debt of the plan. **Should the plan be included as a component unit of the city?**

GASB 84 – Proposed IG Question

A—Yes. Paragraph 7 of Statement 84 provides that **a legal obligation or the assumption of an obligation constitutes a financial burden**. The statutory obligation for the city to contribute to the plan meets the criterion in paragraph 27b of Statement 14, as amended. Because the government also appoints a majority of the plan's governing board, the government is financially accountable for the plan.

Is a component unit – would be a fiduciary activity and fund

GASB 84 – Proposed IG Question

Q—A **pension or OPEB plan that is administered through a trust** that meets the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, as applicable, **does not have a governing board**. Instead, **another government performs the duties that a governing board typically would perform** (for example, the government determines or amends the structure of the plan [vesting requirements and required contributions]). **If that other government is legally obligated to make contributions to the pension or OPEB plan, should the plan be included as a fiduciary component unit of that other government?**

GASB 84 – Proposed IG Question

A—**Yes**. In accordance with paragraph 21a of Statement 14, as amended, a government is **financially accountable** for a legally separate organization if it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the government. For purposes of that paragraph, **a government that performs the duties of a governing board in the absence of one should be considered equivalent to a governing board for which the government appoints a voting majority**. Further, in accordance with paragraph 7 of Statement 84, a government is considered to have a **financial burden** if it is **legally obligated to make contributions** to the pension or OPEB plan. As a result, the plan should be included as a fiduciary component unit of the other government.

In this case the “other government” is the employer (i.e. the City)

In this example the plan is a component unit – would be a fiduciary activity and fund

GASB 84 – Proposed IG Question

Q—Is the answer in (the prior question) the same regardless of whether the pension or OPEB plan **is a defined benefit plan or a defined contribution plan?**

GASB 84 – Proposed IG Question

A—Yes. Regardless of whether the pension or OPEB plan is a defined benefit plan or a defined contribution plan, if (a) the pension or OPEB plan is administered through a trust that meets the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, as applicable; (b) the government performs the duties of a governing board in the absence of one; and (c) the government is legally obligated to make contributions to the pension or OPEB plan, the plan should be included as a fiduciary component unit of the other government.

In this example the plan (whether DB or DC) is a component unit – would be a fiduciary activity and fund

GASB 84

Example entities to consider:

1

Defined Benefit Pension Plans

Defined Contribution Pension Plans

401(k) plans?

403(b) plans?

Defined Benefit OPEB Plans

Defined Contribution OPEB Plans



Note that section 457 deferred compensation plans are not covered by this standard – continue to follow GASB 32 (for now)

Other Component Units Are Fiduciary if...

They have one or more of the following characteristics:

2

The assets are (1) administered through a trust agreement or equivalent arrangement in which the government itself is not a beneficiary, (2) dedicated to providing benefits to recipients in accordance with the benefit terms, and (3) legally protected from the creditors of the government

The assets are for the benefit of individuals and the government does not have administrative involvement with the assets or direct financial involvement with the assets. In addition, the assets are not derived from the government's provision of goods or services to those individuals

The assets are for the benefit of organizations or other governments that are not part of the financial reporting entity. In addition, the assets are not derived from the government's provision of goods or services to those organizations or other governments

When Does a Government Have Administrative Involvement or Direct Financial Involvement?

Examples of administrative involvement

If it monitors compliance with the requirements of the activity that are established by the government or by a resource provider that does not receive the direct benefits of the activity

If it determines eligible expenditures that are established by the government or by a resource provider that does not receive the direct benefits of the activity

If it has the ability to exercise discretion in how assets are allocated

Example of direct financial involvement

If it provides matching resources for the activities

GASB 84

Example entities to consider:

2

Private Purpose Trust Funds that meet Component Unit Criteria – Historic Cemetery Trusts?

Are Tax Commissioner or Sherriff component units?

I don't believe they are legally separate entities (and thus not component units)

Not bodies corporate and politic; no corporate powers (capacity to have name; right to sue or be sued in its own name w/o recourse to local government; or right to buy, sell, lease, or mortgage property in its own name)

Don't see too many other fiduciary component units

Postemployment Benefit That Are Not Component Units Are Fiduciary if...

The government controls the assets of the arrangement and the arrangement is one of the following arrangements:

3

A pension plan that is administered through a trust that meets the criteria in paragraph 3 of Statement 67

An OPEB plan that is administered through a trust that meets the criteria in paragraph 3 of Statement 74

A circumstance in which assets from entities that are not part of the reporting entity are accumulated for pensions as described in paragraph 116 of Statement 73

A circumstance in which assets from entities that are not part of the reporting entity are accumulated for OPEB as described in paragraph 59 of Statement 74

When Is a Government Controlling Assets?

A government controls the assets of an activity if:

The government holds the assets

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

GASB 84

Example entities to consider:

3

Defined Benefit Pension Plans

Defined Contribution Pension Plans

Defined Benefit OPEB Plans

Defined Contribution OPEB Plans

Difference – if not a Component Unit, then the employer government will need to control the assets of the Plan

All Other Activities Are Fiduciary if...

All three of the following are met:

4

The government controls the assets

Those assets are not derived either:


Solely from the government's own-source revenues, or

From government-mandated nonexchange transactions or voluntary nonexchange transactions with the exception of pass-through grants and for which the government does not have administrative or direct financial involvement


One of the criteria on the next slide is met

All Other Activities (continued)


4



The assets are (1) administered through a trust agreement or equivalent arrangement in which the government itself is not a beneficiary, (2) dedicated to providing benefits to recipients in accordance with the benefit terms, and (3) legally protected from the creditors of the government



The assets are for the benefit of individuals and the government does not have administrative involvement with the assets or direct financial involvement with the assets. In addition, the assets are not derived from the government's provision of goods or services to those individuals



The assets are for the benefit of organizations or other governments that are not part of the financial reporting entity. In addition, the assets are not derived from the government's provision of goods or services to those organizations or other governments

Knowledge Check

Example entities to consider under GASB 84 include all but which of the following?

- A. Defined Benefit Pension Plans
- B. Defined Contribution Pension Plans
- C. Defined Benefit OPEB Plans
- D. Section 457 Deferred Compensation Plans

Administrative Involvement or Direct Financial Involvement? (Repeated Slide)

Examples of administrative involvement

If it monitors compliance with the requirements of the activity that are established by the government or by a resource provider that does not receive the direct benefits of the activity

If it determines eligible expenditures that are established by the government or by a resource provider that does not receive the direct benefits of the activity

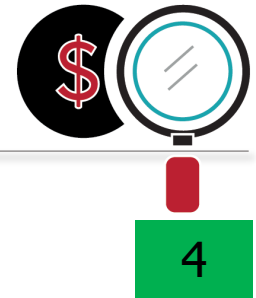
If it has the ability to exercise discretion in how assets are allocated

Example of direct financial involvement

If it provides matching resources for the activities



GASB 84



Example activities to consider:

Funds held by Court

Funds held by Tax Commissioner

Assets held by Sherriff

School Activity Funds

GASB 84 – Proposed IG Question

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?**

GASB 84 – Proposed IG Question

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.

Is a fiduciary activity – custodial fund

GASB 84 – Proposed IG Question

Q—A **county government has a revenue-sharing agreement with the state** pursuant to the county's business licensing function. The **county imposes an annual license fee** of \$1,500. The **county retains \$1,350 and remits the remaining amount to the state**. The **fees to be remitted to the state are maintained in a separate county bank account**. **Should the state portion of the fees collected be considered own-source revenues of the county, as described in paragraph 13 of Statement 84?**

GASB 84 – Proposed IG Question

A—Yes. The nature of that transaction is exchange or exchange-like resulting in the fees collected being the county's own-source revenue, as discussed in paragraph 13 of Statement 84.

Since these fees are derived from the County's own-source revenue, these are not fiduciary activities, but would just be recorded in the County's governmental funds (liability to the State). Could be similar to SPLOST collected by County with amounts due to the cities

GASB 84 – Proposed IG Question

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 controlled 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?

GASB 84 – Proposed IG Question

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. That is, the government's role would have substance if the school board, school administrator, or faculty advisor (representative of the school) establishes how the resources can be spent through approved policies. In this 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.

Since the Schools does not have administrative involvement, this is a fiduciary activity of the School District and should be reported as a fiduciary fund

GASB 84 – Proposed IG Question

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 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**. **Does the school district have administrative involvement**, as discussed in paragraph 11c(2) of Statement 84?

GASB 84 – Proposed IG Question

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 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.

Since the School District controls the funds (holds them) and has administrative involvement, these activities would not be fiduciary but rather are activities of the School District itself (probably reported within Special Revenue Funds if properly committed by the BOE)

GASB 84 – Proposed IG Question

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?

GASB 84 – Proposed IG Question

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.

If the School District controls the funds (holds them) and, as noted above, has administrative involvement, these activities would not be fiduciary but rather are activities of the School District itself (probably reported within Special Revenue Funds if properly committed by the BOE)

Reporting Fiduciary Activities

Fiduciary Fund Types



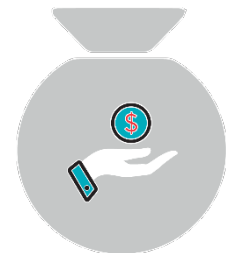
New definitions for pension trust funds, investment trust funds, and private-purpose trust funds that focus on the resources that should be reported within each



Trust agreement or equivalent arrangement should be present for an activity to be reported in a trust fund

Custodial funds would report fiduciary activities for which there is no trust agreement or equivalent arrangement

External portions of investment pools that are not held in trust should be reported in a separate column under the custodial fund umbrella



Fiduciary Fund Statements

All fiduciary funds (including custodial funds) report the following statements:

Statement of Fiduciary Net Position – full accrual accounting. Includes assets, liabilities, deferred outflows of resources, deferred inflows of resources, and fiduciary net position



Liabilities to beneficiaries (except those related to pension/OPEB funds) should be recognized when an event has occurred that compels the government to disburse fiduciary resources

Statement of Changes in Fiduciary Net Position – full accrual accounting. Includes additions to and deductions from fiduciary net position



May report a single aggregated total for additions and a single total for deductions of custodial funds in which resources, upon receipt, are normally expected to be held for three months or less

GASB 84 – Proposed IG Question

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

Example –

Water Authority is sponsor for single-employer DB pension plan. If that plan meets requirements previously discussed, then the Water Authority financial statements should include a separate section (fiduciary financial statements) for this pension fund as a fiduciary fund.

Knowledge Check

Under GASB 84 – custodial funds will now be reported in the Statement of Changes in Fiduciary Net Position in the basic financial statements.

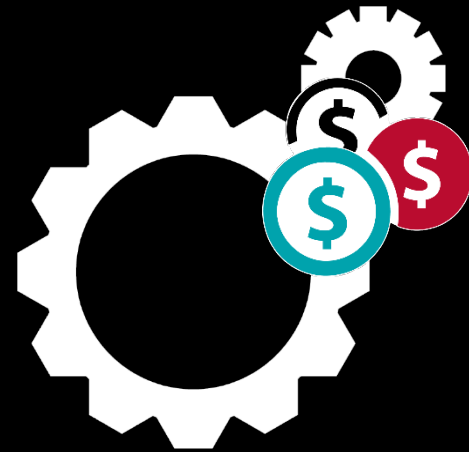
- A. True
- B. False

Knowledge Check

A custodial fund should report a liability equal to....

- A. Amounts due and payable
- B. An amount equal to fund assets
- C. Amounts expected to be liquidated with available expendable financial resources
- D. Amounts due when an event occurs that compels the government to disburse resources

Implementation Plan





Implementation Plan

Inventory Possible Fiduciary Activities

Consider current fiduciary funds, but also others currently not reported, primarily employee benefit plans

*Gather Information on the Possible Fiduciary Activities and make **Component Unit determinations***

Make Fiduciary decision utilizing the standard

Implementation Plan (cont).

For activities not previously considered to be government activities (were previously fiduciary) - consider whether budgets are needed

For activities not previously included in financial statements – determine how financial activity will be accumulated and audited

Includes information needed for Custodial Fund income statement

QUESTIONS?

Joel Black – jmblack@mjcpa.com

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Thank You!



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