

MaherDuessel
Pursuing the profession while promoting the public good®
www.md-cpas.com

GASB 84: Fiduciary Activities
Presented by Amy C. Lewis, Partner

December 16, 2019

1

Our Objectives

Objective 1 | Summarize

- We will provide an overview of GASB 84 and its related Implementation Guide.

Objective 2 | Analyze

- We will explore the applicability of this GASB to various common situations.

Objective 3 | Illustrate

- We will show examples of the new required formats of the financial statements.

MaherDuessel
Certified Public Accountants

2

2

GASB Publications for Fiduciary Activities

GASB Statement No. 84

- Issued January 2017
- Effective – **NOW!!!** – 12/31/19s

Implementation Guide No. 2019-2

- Issued June 2019
- 51 Q&A
- 3 revised Q&A from previous Imp Guides

3

But first...

- Do you report fiduciary fund financial statements now?

4

What is a Fiduciary Activity?

Assets are controlled by the government

Assets are not derived from:

- Government's own-source revenues
- Government-mandated nonexchange or voluntary nonexchange transactions

Assets have one or more of the following characteristics:

- Administered through a trust in which the government is not a beneficiary
- Are for the benefit of individuals and the government does not have administrative involvement or direct financial involvement with the assets
- Are for the benefit of organizations or other governments that are not part of the financial reporting entity


5

5

What Does Control of Assets Mean?

Holds the assets	Has the ability to direct the use, exchange, or employment of the assets
Legal/external restrictions do not negate control	Appointing a designee does not alter control

CONTROL OF ASSETS


6

6

What is an Own-Source Revenue?

- Generated by a government itself
 - Exchange and exchange-like revenues (water/sewer charges)
 - Investment earnings
 - Derived tax revenues (sales and income taxes)
 - Imposed nonexchange revenues (property taxes)


7

7

What is Administrative Involvement and Direct Financial Involvement?

Administrative Involvement	Direct Financial Involvement
<div style="background-color: #0056b3; height: 20px; margin-bottom: 5px;"><input style="width: 15px; height: 15px; margin-right: 5px;" type="checkbox"/></div> <ul style="list-style-type: none"> <input type="checkbox"/> Monitors compliance with requirements <input type="checkbox"/> Determines eligible recipients or projects <input type="checkbox"/> Determines eligible expenditures <input type="checkbox"/> Ability to exercise discretion on how funds are allocated 	<div style="background-color: #666666; height: 20px; margin-bottom: 5px;"><input style="width: 15px; height: 15px; margin-right: 5px;" type="checkbox"/></div> <ul style="list-style-type: none"> <input type="checkbox"/> Provides matching resources <input type="checkbox"/> Liable for disallowed costs

Derived from GASB No. 24 for pass-through grants


8

8

Let's Discuss Some Examples!

9

9

Question #1

A city is the custodian for the cash collected from fees charged by the local cemetery association for future maintenance of the cemetery. The association is a not-for-profit association and is not a component unit of the city. The activity is administered through a cemetery care trust in which the assets are (a) dedicated to providing cemetery plot maintenance to individuals who have paid the fees for such maintenance, in accordance with the benefit terms, and (b) legally protected from the creditors of the government. The board of the not-for-profit association establishes how the resources can be spent.

Should the city report the cemetery care trust as a fiduciary activity?



MaherDuessel
Certified Public Accountants

10

10

Question #2

A county government operates a jail. Some inmates have jobs in the jail, and their earnings are deposited into an account established for each inmate. Families of inmates also can deposit resources into the inmates' individual accounts. The county is the custodian of the individual accounts. Inmates use the resources in their individual accounts to make purchases at the commissary. Neither the county government nor any jail official has the authority to determine how the inmate will use the funds in their individual account. When an inmate is released, any remaining balance in their individual account is paid to them.

Should the county report the inmate accounts in its fiduciary fund financial statements?



MaherDuessel
Certified Public Accountants

11

11

Question #3

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 its fiduciary fund financial statements?



MaherDuessel
Certified Public Accountants

12

12

Question #4

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.

Should the government report the student club account in its fiduciary fund financial statements?



MaherDuessel
Certified Public Accountants

13

13

Follow Up to Question #4

- Does the answer change if **approval, rejection, or modification of the spending is strictly at the discretion of the faculty advisor?**

MaherDuessel
Certified Public Accountants

Source: Imp Guide Q#4.20 14

14

More Follow Up to Question #4

- Revert to original facts of the question.
- Does the answer change if **the School Board establishes and approves a policy that applies to all clubs that addresses issues such as the authorized account signers and the prohibition of spending for illegal activities?**

15

And, Finally, About Question #4...

- Revert to original facts of the question.
- Does the answer change if **the School Board establishes and approves a policy that includes specific guidelines related to how the funds raised by the clubs can be spent?**

16

So, What Does That Mean?

Each government must take a real good look at their custodial situations and evaluate them.

-  There may be some that continue to meet the criteria to remain a fiduciary fund.
-  There may be some that do not meet the criteria of a fiduciary fund and should be reported as a special revenue fund (if appropriate) or in the General Fund.

MaherDuessel
Certified Public Accountants

17

17

What About Fiduciary Component Units?

18

18

First, Define a Component Unit and Then Determine if it is a Fiduciary Activity

- **Component Unit**
 - Legally separate organizations
 - PG is *financially accountable*
 - Nature and significance of relationship with PG are such that exclusion would be misleading
- **Financially Accountable**
 - PG appoints voting majority and
 - Is able to impose its will or
 - Financial benefit/burden relationship exists
 - Fiscally dependent on PG

19

PCU Example #1

- Single-Employer Defined Benefit Pension Plan
 - Appointed board
 - Plan assets held in qualifying trust
 - Employees contribute a set percentage
 - Employers contribute actuarial amount

Is this a fiduciary component unit?



20

PCU Example #2

- Defined Contribution Pension Plan
 - Employer is plan sponsor; investment advisors manage plan
 - No governing board
 - Plan assets held in qualifying trust
 - Employees contribute a set percentage
 - Employers contribute set amount

Is this a fiduciary component unit?



21

If it is a Component Unit...

- The component unit qualifies as a fiduciary component unit if it is:
 - A pension/OPEB plan that is administered through a trust that meets the criteria in paragraph 3 of Statement 67/paragraph 3 of Statement 74
 - A circumstance in which assets from entities that are *not* part of the reporting entity are accumulated for pensions/OPEBs as described in paragraph 116 of Statement 73/paragraph 59 of Statement 74.
 - A non-pension/OPEB arrangement where:
 - See next slide

22

Non-Pension/OPEB Component Unit

Assets have one or more of the following characteristics:

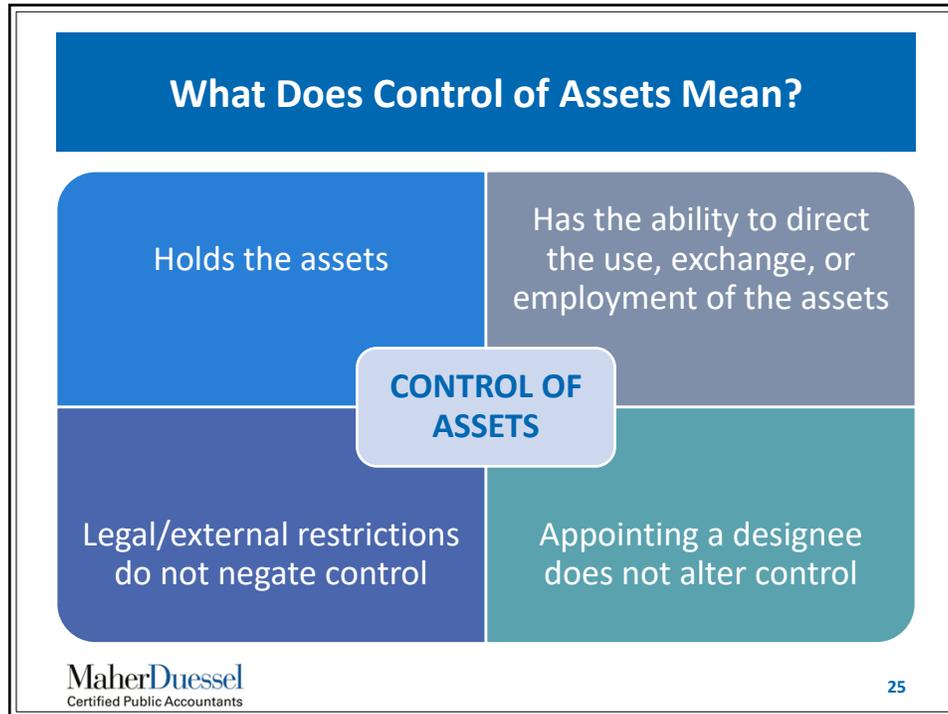
- Administered through a trust in which the government is not a beneficiary
- Are for the benefit of individuals and the government does not have administrative involvement or direct financial involvement with the assets
- Are for the benefit of organizations or other governments that are not part of the financial reporting entity

23

Pension and OPEB Arrangements That Are Not Component Units

- The following qualify as fiduciary activities if the government controls the assets of the arrangement:
 - A pension/OPEB plan that is administered through a trust that meets the criteria in paragraph 3 of Statement 67/paragraph 3 of Statement 74
 - A circumstance in which assets from entities that are not part of the reporting entity are accumulated for pensions/OPEBs as described in paragraph 116 of Statement 73/paragraph 59 of Statement 74.

24



25

Reporting Fiduciary Activities

- Governments should report fiduciary activities in the fiduciary fund financial statements of the basic financial statements.
- See next slide for examples.

MaherDuessel
Certified Public Accountants
26

26

ABC GOVERNMENT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2019

	Pension (and OPEB) Trust Funds	Investment Trust Funds	Private Purpose Trust Funds	Custodial Funds
Assets:				
Cash and cash equivalents	\$ 184,351	\$ 840,693	\$ 104,747	\$ 58,196
Receivables ***	291,408	12,166	-	206,937
Investments ***	41,954,330	1,224,267	769,437	-
Other assets	1,760,063	181	81,157	361
Total Assets	44,190,152	2,077,307	955,341	265,494
Liabilities:				
Accounts payable and other liabilities	130,846	1,361	61,447	1,451
Due to local governments	-	-	-	-
Obligations under securities lending	1,346,544	-	-	164,201
Other long-term liabilities	1,617	-	7,870	-
Total Liabilities	1,479,007	1,361	69,317	165,652
Net Position:				
Restricted for:				
Pensions	29,897,802	-	-	-
OPEBs	12,813,343	-	-	-
Pool participants	-	2,075,946	-	-
Individuals, organizations, and other governments	-	-	886,024	99,842
Total Net Position	\$ 42,711,145	\$ 2,075,946	\$ 886,024	\$ 99,842

MaherDuessel Certified Public Accountants *** Note: Lines were combined for presentation purposes – disaggregate as necessary 27

27

ABC GOVERNMENT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Pension (and OPEB) Trust Funds	Investment Trust Funds	Private Purpose Trust Funds	Custodial Funds
Additions:				
Contributions ***	\$ 1,706,022	\$ -	\$ 197,258	\$ -
Investments earnings:				
Investments earnings ***	3,344,931	123,128	64,080	-
Less: investment costs ***	105,923	50,236	63	-
Net investment earnings	3,239,008	72,892	64,017	-
Other additions ***	1,130	113,259	-	1,812,588
Total Additions	4,946,160	186,151	261,275	1,812,588
Deductions:				
Benefits paid to participants or beneficiaries	1,963,047	-	-	-
Other plan payments ***	726,461	-	-	-
Beneficiary payments to individuals	-	-	211,179	-
Other distributions ***	-	72,892	43	1,811,413
Total Liabilities	2,689,508	72,892	211,222	1,811,413
Net Increase (Decrease) in Fiduciary Net Position	2,256,652	113,259	50,053	1,175
Net Position:				
Beginning of year	40,454,493	1,962,687	835,971	98,667
End of year	\$ 42,711,145	\$ 2,075,946	\$ 886,024	\$ 99,842

MaherDuessel Certified Public Accountants *** Note: Lines were combined for presentation purposes – disaggregate as necessary 28

28

Key Elements of the Fiduciary Fund Financial Statements

29

29

ABC GOVERNMENT					
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION					
FIDUCIARY FUNDS					
FOR THE YEAR ENDED DECEMBER 31, 2019					
	Pension (and OPEB) Trust Funds	Investment Trust Funds	Private Purpose Trust Funds	Custodial Funds	
Additions:					
Contributions ***	\$ 1,706,022	\$ -	\$ 197,258	\$ -	
Investments earnings:					
Investments earnings ***	3,344,931	123,128	64,080	-	
Less: investment costs ***	105,923	50,236	63	-	
Net increase	4,945,030	172,892	261,341	-	18
Other adjustments	-	-	-	-	18
Total /	Pension (and OPEB) Trust Funds	Investment Trust Funds	Private Purpose Trust Funds	Custodial Funds	18
Deductions:					
Benefits paid to participants or beneficiaries	1,963,047	-	-	-	
Other plan payments ***	726,461	-	-	-	
Beneficiary payments to individuals	-	-	211,179	-	
Other distributions ***	-	72,892	43	1,811,413	
Total Liabilities	2,689,508	72,892	211,222	1,811,413	
Net Increase (Decrease) in Fiduciary Net Position	2,256,652	113,259	50,053	1,175	
Net Position:					
Beginning of year	40,454,493	1,962,687	835,971	98,667	
End of year	\$ 42,711,145	\$ 2,075,946	\$ 886,024	\$ 99,842	

MaherDuessel
Certified Public Accountants

*** Note: Lines were combined for presentation purposes – disaggregate as necessary

30

30

Fiduciary Fund Types

- Pension (and OPEB) Trust Funds
 - Pension/OPEB plans that are administered through qualifying trusts that meet the GASB 67/74 criteria
 - Other EBPs for which resources are (1) held in a trust for which government is not the beneficiary, (2) dedicated to providing benefits to recipients, (3) legally protected from creditors, and (4) contributions to the trust are irrevocable
- Investment Trust Funds
 - External portion of investment pools held in a trust
 - Individual investment accounts held in a trust
- Private-Purpose Trust Funds
- Custodial Funds (new name!)
 - Not Pension/OPEB/Investment/Private-Purpose Trust
 - External portion of investments pools that are not held in a trust

31

Business-type Activities Exception

- If custodial assets are normally expected to be held for 3 months or less, business-type activities may report the assets with a corresponding liability in the statement of net position of the business-type activity
- Additions/deductions are reported as operating cash inflows/outflows on the statement of cash flows

32

ABC GOVERNMENT				
STATEMENT OF FIDUCIARY NET POSITION				
FIDUCIARY FUNDS				
DECEMBER 31, 2019				
	Pension (and OPEB) Trust Funds	Investment Trust Funds	Private Purpose Trust Funds	Custodial Funds
Assets:				
Cash and cash equivalents	\$ 184,351	\$ 840,693	\$ 104,747	\$ 58,196
Receivables ***	291,408	12,166	-	206,937
Investments ***	41,954,330	1,224,267	769,437	-
Other assets	1,760,063	181	81,157	361
Total Assets	44,190,152	2,077,307	955,341	265,494
Liabilities:				
Accounts payable and other liabilities	130,846	1,361	61,447	1,451
Due to local governments	-	-	-	-
Obligations under securities lending	1,346,544	-	-	164,201
Other long-term liabilities	1,617	-	7,870	-
Total Liabilities	1,479,007	1,361	69,317	165,652
Restricted for:				
Pensions	29,897,802	-	-	-
OPEBs	12,813,343	-	-	-
Pool participants	-	2,075,946	-	-
Individuals, organizations, and other governments	-	-	886,024	99,842
Total Net Position	\$ 42,711,145	\$ 2,075,946	\$ 886,024	\$ 99,842

MaherDuessel Certified Public Accountants *** Note: Lines were combined for presentation purposes – disaggregate as necessary **33**

33

Liabilities

- Pension/OPEB Trust Funds – report in accordance with GASB Statement No 67 or 74, as applicable
- All Other (Including Custodial) Funds – report when an event has occurred that compels the government to disburse fiduciary resources
 - A demand for resources has been made
 - No further action, approval, or condition is required to be taken or met by the beneficiary to release the assets
- Custodial Funds – liabilities will not necessarily equal assets anymore

34

Statement of Changes

- Additions
 - Disaggregate additions by source
 - Disaggregate investment earnings as follows:
 - Investment earnings
 - Less: Investment costs (including investment management fees, custodial fees, and all other significant investment-related costs)
 - Equals: Net investment earnings
- Deductions
 - Disaggregate deductions by type
 - Separately display administrative costs

35

Footnotes

- No specific disclosure requirements stated in this Standard
- Follow all other relevant disclosure requirements (i.e., cash, investments, fair value, etc.)

36

Business-Type Activity Entities

If I must report a fiduciary fund for my defined benefit pension plan, does my net pension liability get removed from my Statement of Net Position?



37

Resources Available

- Checkpoint:
 - ALG-CX-1.9 *“Identifying Fiduciary Activities”*
 - ALG-CX-1.1.2 *“Evaluating Potential Component Units and Reporting under GASBS No. 14, as Amended”*

38

Sources Used to Prepare this Presentation

- AICPA GAQC Webcast, *"Fiduciary Activities: Understanding the Impacts of GASB 84"*, November 15, 2018
- GFOA *"GAAP Update"*, December 5, 2019
- 2019 AICPA Governmental Accounting & Auditing Update Conference, *"Fiduciary Activities"*
- GASB 84, *"Fiduciary Activities"*
- GASB Implementation Guide No. 2019-2, *"Fiduciary Activities"*
- PA Department of Education Accounting Bulletin #2019-01 *"Implementation of GASB Statement #84: Fiduciary Activities"*

Questions? Contact Me!



Amy C. Lewis, CPA

Partner

412.535.5531

alewis@md-cpas.com