

Accounting Bulletin #2019-01

SUBJECT: Implementation of GASB Statement #84: Fiduciary Activities

Effective Fiscal Year 2020-21

Date: ~~July 1, 2019~~

Partial Text Revised, June 30, 2020

To reflect Implementation of Statement No. 95 – Postponement of the Effective Dates of Certain Authoritative Guidance (S95)

This Bulletin applies to all LEAs and is a joint release from the Office of Comptroller Operations (OCO) and the PA Department of Education (PDE).

Implementation is effective July 1, 2020

Overview

In January 2017, the Governmental Accounting Standards Board (GASB) released GASB Statement #84 – Fiduciary Activities (S84). With the implementation of S95, S84 is effective for reporting periods beginning after December 15, 2019. For AFR reporting purposes, the change will be required for the 2020-2021 AFR. Note, however that the 2019-2020 AFR will be designed in a manner that will accommodate reporting for schools that implemented S84 based on the original schedule, and for those that choose to delay implementation.

This Accounting Bulletin will address major impacts this statement may have on LEA reporting of fiduciary fund types on the Annual Financial Report (AFR).

S84 establishes criteria for identifying fiduciary activities, with the objective of improving guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The criteria generally focus on (1) whether a government is controlling the assets of the fiduciary activity, (2) the source of the assets and (3) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

S84 authorizes the following fiduciary fund types: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds.

Custodial funds will replace the old “agency” funds and generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

Fiduciary activity exists if all the following criteria is met:

1. The assets are controlled by the government.
2. The assets are not derived from the government's own-source revenues or from government mandated nonexchange transactions, or voluntary nonexchange transactions.
3. The assets have one or more of the following characteristics:
 - a. Assets are administered through a trust which the government is not a beneficiary; dedicated to providing benefits in accordance with the benefit terms; and legally protected from the government's creditors.
 - b. Assets are for the benefit of individuals and the government does not have administrative or direct financial involvement with the assets.
 - c. Assets are for the benefit of organizations or other governments that are not part of the financial reporting entity.

S84 will require the following Fiduciary Fund Financial Statements:

Statement of Fiduciary Net Position

Statement of Changes in Fiduciary Net Position

Required for all fiduciary funds including custodial funds

Impact on school accounting

The major impact is expected to be on Fund 81 – Activity Fund. Fund 81 is used to report moneys authorized by Section 511 of Public School Code of 1949 for school publications and organizations. Current OCO guidance is to report activity funds as agency funds. However, with the more specific criteria S84 provides regarding what constitutes a custodial fund (which will replace agency funds), Section 511 does not clearly dictate that all existing activity funds will still be considered fiduciary. Therefore, it will be the responsibility of the LEA to review each of their student activity funds to determine if they meet the criteria to be reported as a fiduciary fund.

The major determinant will be based on Board policies and whether the LEAs have administrative involvement with these funds. Administrative involvement exists if, for example, an LEA (a) 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, (b) determines eligible expenditures that are established by the government or by a resource provider that does not receive the direct benefits of the activity, or (c) has the ability to exercise discretion in how the funds are allocated.

The following options exist:

- **An existing activity fund *does* meet the criteria to remain a fiduciary fund** and will be reported as a custodial fund. Fund 81 will be renamed to Student Activity Custodial Fund for this purpose.
- **An existing activity fund *does not* meet the criteria of a fiduciary fund** and should be reported as a special revenue fund providing it meets the definition of such as identified in GASB Statement #54 *Fund Balance Reporting and Governmental Fund Type Definitions*. A new student activity fund, Fund 21- Student Sponsored Activity Fund, will be established as a special revenue fund for this purpose.

Resources

gasb.org for additional information on fiduciary activities, fund balance reporting, and governmental fund type definitions. Note a draft implementation guide for S84 is also available.

www.education.pa.gov (Policy and Funding>> School Finances) for Chart of Accounts, and Manual of Accounting and Financial Reporting for PA Public Schools updates related to this statement. Also available is Accounting Bulletin 2010-02 - Implementation of GASB Statement #54: Governmental Fund Type Definitions

ra-schlfin@pa.gov for questions for the Office of Comptroller Operations regarding the accounting guidance in this Bulletin.