

North Carolina Office of the State Controller

Do you have a Fiduciary Responsibility to Implement GASB 84?

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Fiduciary Activities

What:

The Board issued Statement 84 to clarify when a government has a fiduciary responsibility and is required to present fiduciary fund financial statements

Why:

Existing standards require reporting of fiduciary responsibilities but do not define what they are; use of private-purpose trust funds and agency funds is inconsistent; BTAs are uncertain about how to report fiduciary activities

When:

Effective for fiscal years beginning after December 15, 2018

Earlier application is encouraged

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Effective Dates—June 30

2018

- Statement 75—OPEB (employers)
- Statement 81—irrevocable split-interest agreements
- Statement 85—omnibus (may be implemented by topic)
- Statement 86—certain debt extinguishment issues
- Implementation Guide 2017-1

2019

- Statement 83—certain asset retirement obligations
- Statement 88—certain debt disclosures
- Implementation Guide 2018-1

2020

- Statement 84—fiduciary activities
- Statement 90—majority equity interests

2021

- Statement 87—leases
- Statement 89—interest cost

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Effective Dates—December 31

2018

- Statement 75—OPEB (employers)
- Statement 85—omnibus (may be implemented by topic)
- Statement 86—certain debt extinguishment issues
- Implementation Guide 2017-1

2019

- Statement 83—asset retirement obligations
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2020

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Fiduciary Activities

- ▶ **Statement No. 14, *The Financial Reporting Entity*, Paragraph 19**
 - Include “if the primary government has a fiduciary responsibility for them”

- ▶ **Statement No. 61, *The Financial Reporting Entity: Omnibus***
 - Fiduciary activities broader than reporting entity considerations –so not addressed

- ▶ **Existing standards**
 - Fiduciary responsibilities not defined
 - Inconsistent application
 - Business-type activities

- ▶ **Governmental Accounting Standards Advisory Council (GASAC)**
 - High priority to address fiduciary activities

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Four potential paths to reports assets in a fiduciary fund

1. Is there a component unit present that are postemployment benefit arrangements? (Pensions / OPEB)

2. Is there are component unit present that may be a fiduciary activity, **but not a postemployment benefit arrangement?**

3. Are there postemployment benefit arrangements that are not component units (currently agency funds)?

4. Are there other potential fiduciary activities? (Investment trust funds, private purpose trusts, agency funds)?

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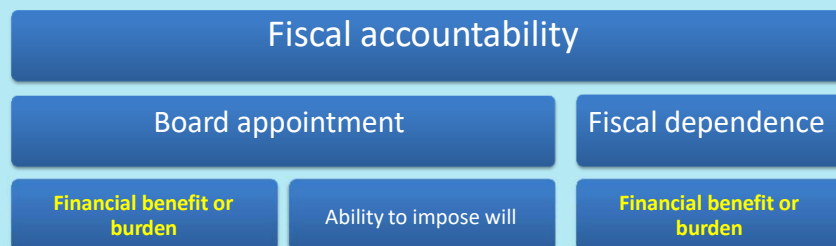
Evaluating Potential Fiduciary C.U's

- ▶ Legally Separate
 - Are Trust legally separate? – Exposure Draft IG Q&A
- ▶ Voting Majority of the Board (Test One)
 - Exposure Draft IG Q&A
- ▶ Imposition of will (Test One)
 - modify budgets, modify/approve rate of fees, ability to overrule decisions of board
- ▶ Fiscally dependent (Test Two)
 - Approve budget, approve rates, approve issuance of debt
- ▶ Misleading to exclude

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Fiduciary component units

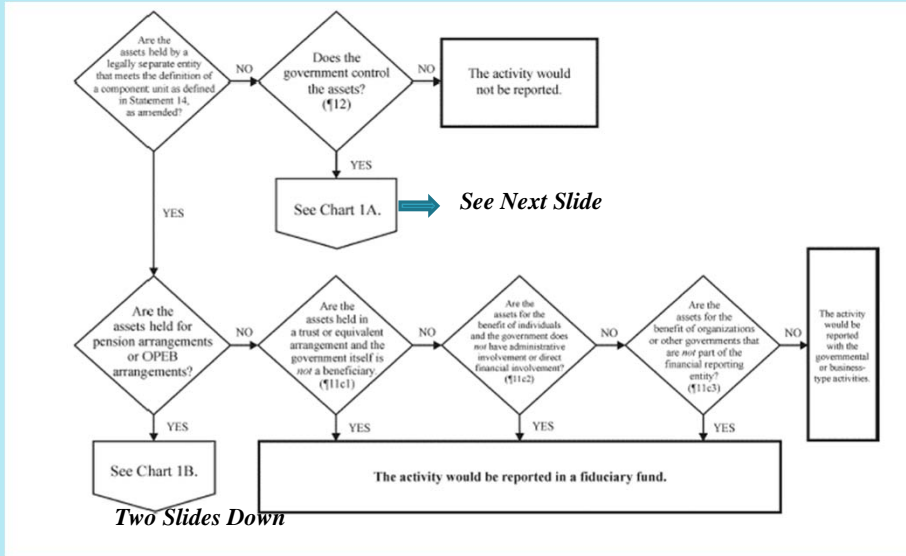
- Component unit (CU) criteria of GASB 14



- Normally, Pension and OPEB plans that are in GASB 67 and 74 compliant trusts are separate legal entities
- Primary government considered to have *financial burden* if it makes contributions to the plan
 - Legally required or assumed the obligation

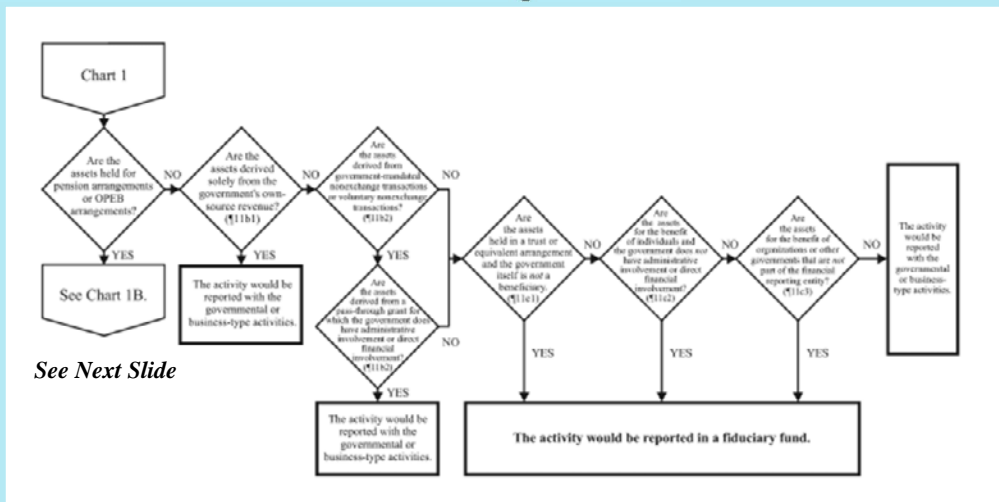
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The Maze!!! GASB-84 part 1!



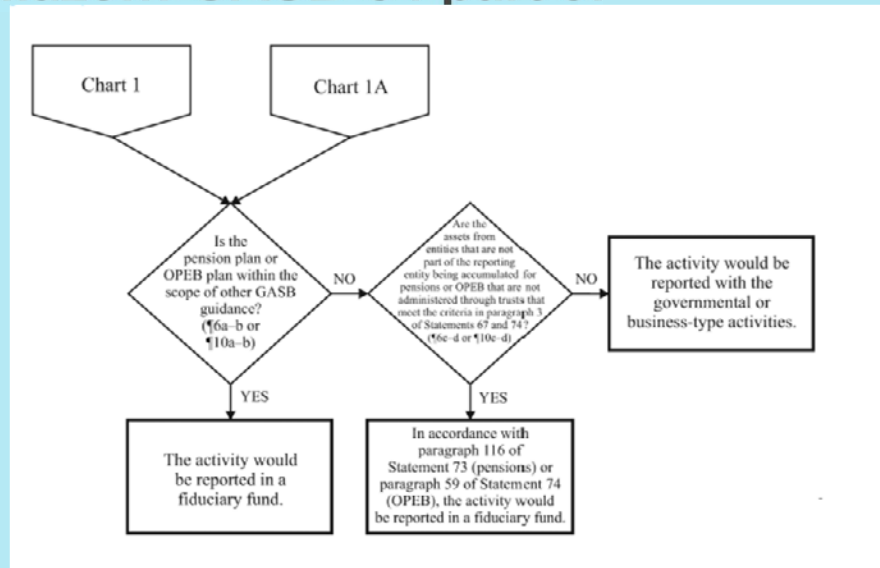
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The Maze!!! GASB-84 part 2!



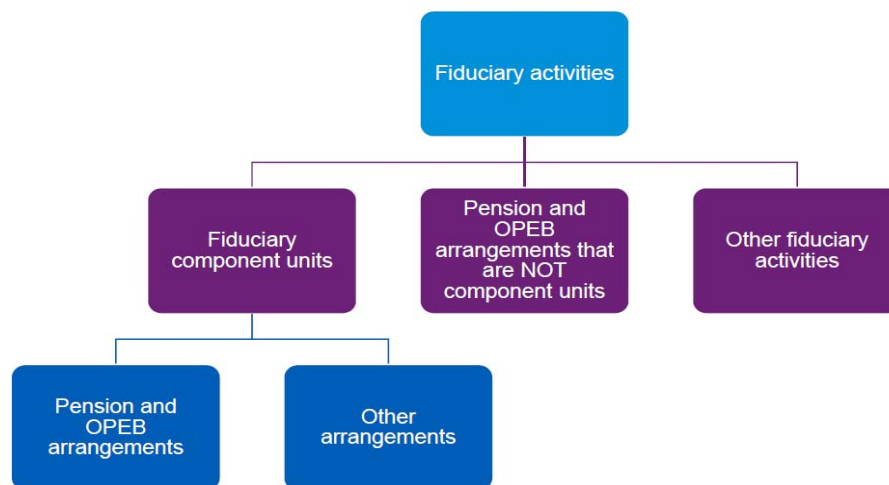
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The Maze!!! GASB-84 part 3!



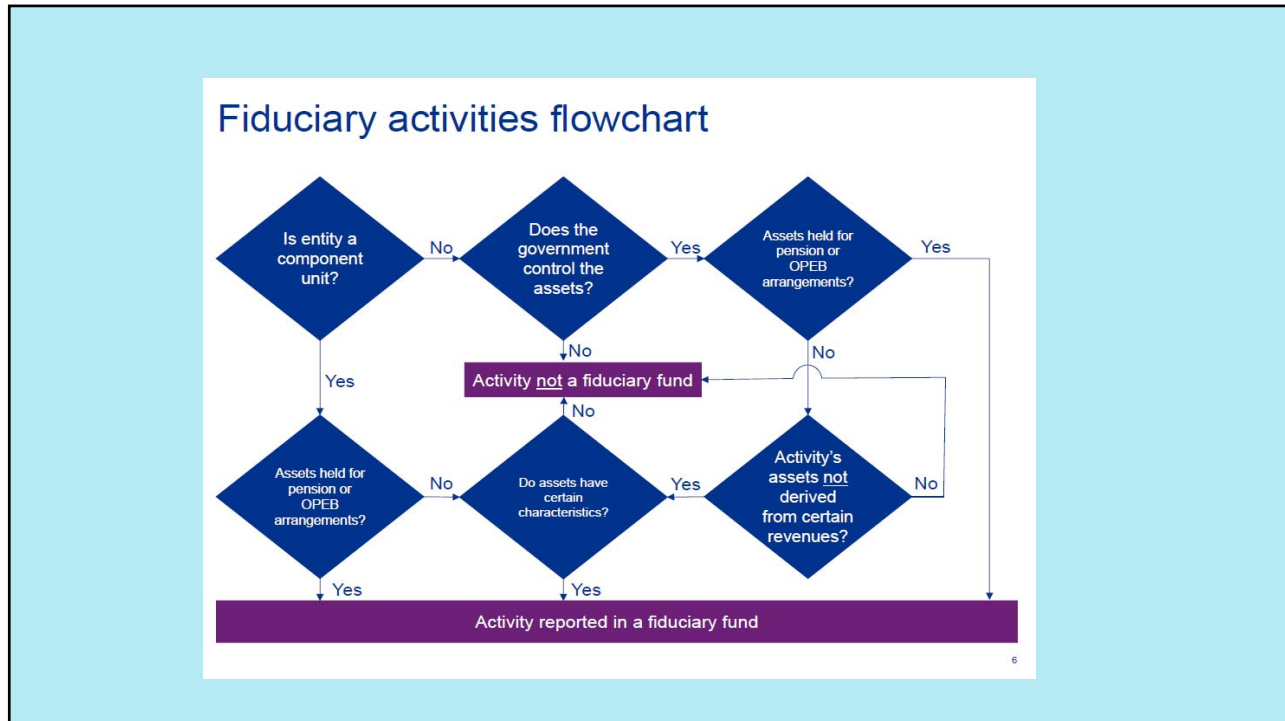
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Types fiduciary activities

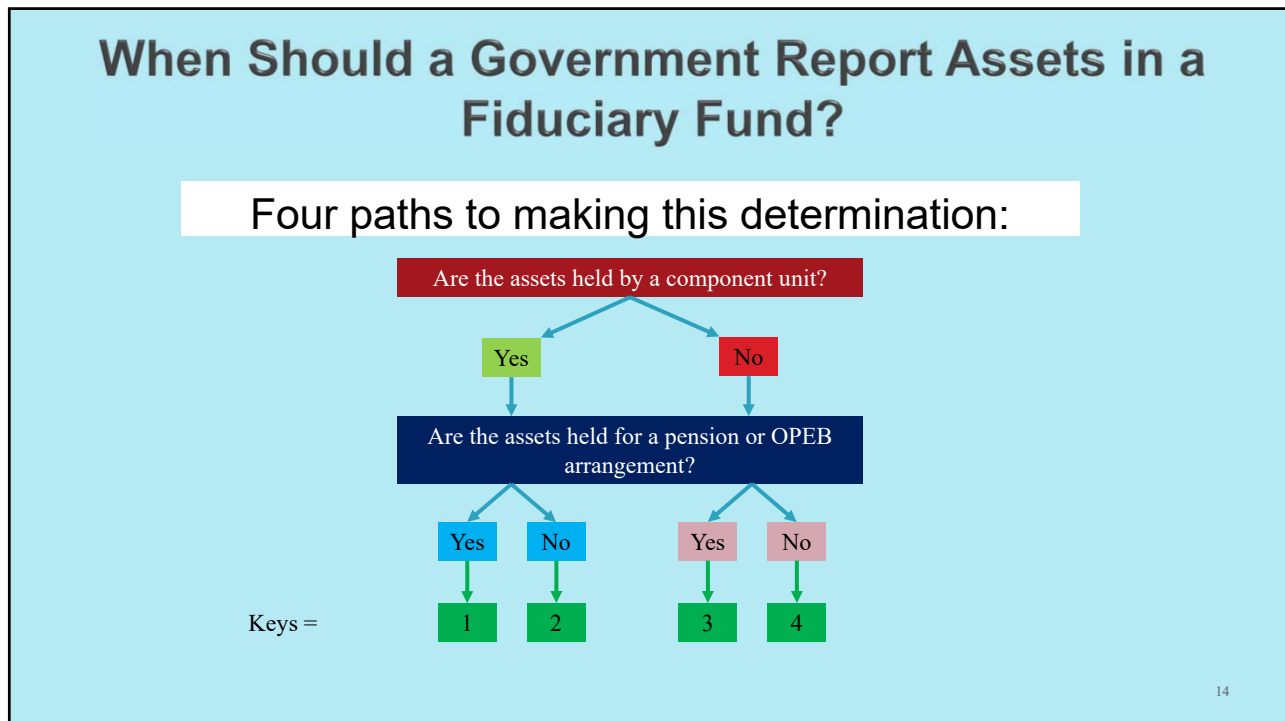


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The Four Keys to fiduciary

1

Is there **a component unit** that is providing postemployment benefits (Pensions or OPEB)?

Example – Statewide PERS is a component unit of a State.

2

Is there **a component unit** that does not provide postemployment benefits, *but is a fiduciary*?

Example – Foundation of an Institution of Higher Education that is a component unit.

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The Four Keys to fiduciary

3

Are there postemployment benefit arrangements that are **not component units**?

Example – Municipal Plan that is not an irrevocable trust and is currently reported as an Agency Fund.

4

Are there any other fiduciary activities – such as:

- Investment Trust Funds?
- Other Endowments?
- Funds or activities that are *currently* Agency Funds?

Examples – Conservation Trust, Library or School Endowment, School Activity Funds

If yes to any of these, you might have a Fiduciary Activity...Maybe...

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Fiduciary funds – Four types

Pension and other employee benefit trust funds

Investment trust funds

Private-purpose trust funds

Custodial funds

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Fiduciary funds – Trusts

— Assets administered through a trust

- Government itself is not the beneficiary
- Assets dedicated to providing benefits to recipients under benefit terms
- Assets legally protected from creditors of the government

Pension and other employee benefit trust funds

- Pension or OPEB plans administered through trusts under GASB 67 or GASB 74
- Other employee benefit plans where resources held in trust and contributions to trust are irrevocable

Investment trust funds

- Assets held in trust
- External portion of investment pools
- Individual investment accounts

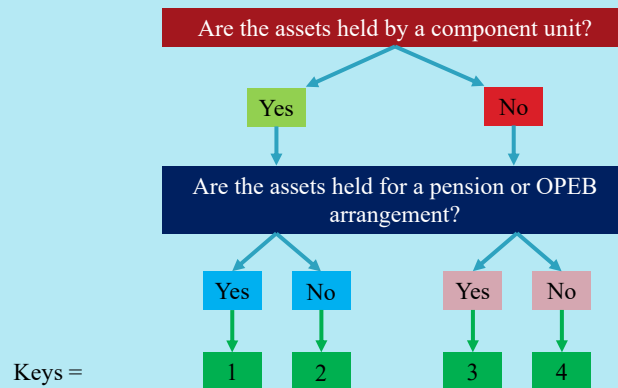
Private-purpose trust funds

- Fiduciary activities held in trust **not** required to be reported as pension, other employee benefit, or investment trust funds

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When Should a Government Report Assets in a Fiduciary Fund?

Four paths to making this determination:



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Component Units That Are Postemployment Benefit Arrangements Are Fiduciary if...

They are one of the following arrangements:

1

- St. 67
¶3 Pension plan administered through a trust that meets criteria
- St. 74
¶3 OPEB plan administered through a trust that meets criteria
- St. 73
¶116 Assets from entities not part of the reporting entity accumulated for pensions
- St. 74
¶59 Assets from entities not part of the reporting entity accumulated for OPEB

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Other Component Units Are Fiduciary if...

They have one or more of the following characteristics:



Assets are:

- Administered through a trust in which government is *not* a beneficiary
- Dedicated to providing benefits, AND
- Legally protected from the creditors of government



- Assets are for the benefit of individuals
- Assets are *not* derived from government's provision of goods or services to the individuals AND
- Government does *not* have administrative involvement or direct financial involvement w/ the assets



- Assets are for the benefit of organizations/ governments *not* part of the reporting entity AND
- Assets are *not* derived from government's provision of goods or services to them

2

or

or

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Fiduciary component units

- ▶ **Control is not a factor in determining whether the activity is fiduciary if the entity is a Component Unit.**

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

- Arrangement is one of those in **1** AND
- The government **controls** the assets of the arrangement
 - Control means one or both of the following is true:

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• Government *holds* the assets

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

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Component Units That Are Postemployment Benefit Arrangements Are Fiduciary if...

They are one of the following arrangements:

1

- St. 67
¶3 Pension plan administered through a trust that meets criteria
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¶3 OPEB plan administered through a trust that meets criteria
- St. 73
¶116 Assets from entities not part of the reporting entity accumulated for pensions
- St. 74
¶59 Assets from entities not part of the reporting entity accumulated for OPEB

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What is Control?

3

- ▶ Control for those pension or OPEB arrangements that are **not** component units must be evaluated.
- ▶ **Concept Statement No. 4:**
 - Control of an asset is the ability of the government to utilize the resource's present service capacity and to determine the nature and manner of use of the present service capacity embodied in the resource.
 - Restrictions that stipulate assets can only be use for purpose described in custodial agreements/trust do not negate a government's control.

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What is Control?

3

- ▶ GASB 84 defines Controls as:
 - Government holds the assets
 - Government (or designee) has the ability to direct the use, exchange, or employment
 - Having a designee does not relinquish fiduciary responsibility from the government
 - Appointing a designee / administrator / contractor doesn't matter.
 - Restriction on assets does not matter.

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All Other Activities Are Fiduciary if...

4

- Arrangement meets one or more of the criteria in 2 AND
- The government **controls** the assets AND
- Those assets are *not* derived either:
 - Solely from the government's own-source revenues, or
 - From grants, with the exception of pass-through grants for which the government does not have administrative or direct financial involvement

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Other Component Units Are Fiduciary if...

They have one or more of the following characteristics:

2



Assets are:

- Administered through a trust in which government is *not* a beneficiary
- Dedicated to providing benefits, AND
- Legally protected from the creditors of government

or



- Assets are for the benefit of individuals
- Assets are *not* derived from government's provision of goods or services to the individuals AND
- Government does *not* have administrative involvement or direct financial involvement w/ the assets

or



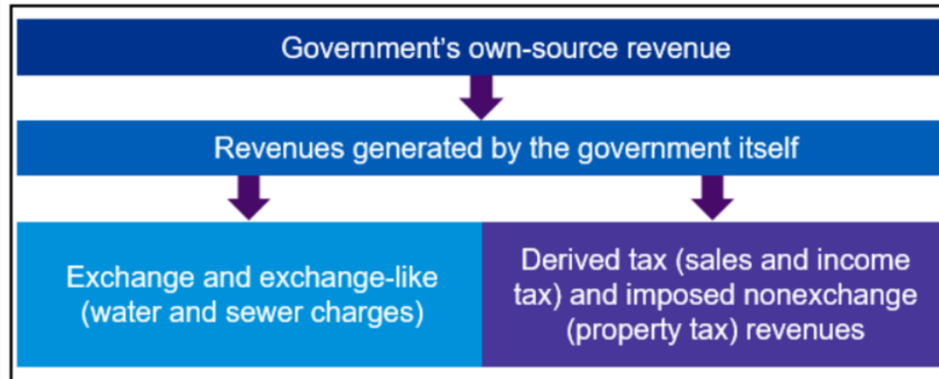
- Assets are for the benefit of organizations/ governments *not* part of the reporting entity AND
- Assets are *not* derived from government's provision of goods or services to them

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Own-Source Revenue

- ▶ Assets associated with activity not derived:
 - ▶ solely from the government's own-source revenue, or
 - ▶ from government-mandated or voluntary nonexchange transactions



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All other Activities(cont.)

- ▶ Criteria for Control of the assets, and
- ▶ Assets not derived from own source revenue or govt mandated or voluntary nonexchange:

1

- Administered through a trust or equivalent, government not beneficiary
- Dedicated to provide benefits to recipients per the benefit terms
- Legally protected from the government's creditors

2

- Benefit of individuals and government does not have administrative or direct financial involvement with the assets
- Not derived from provision of goods and services to those individuals

3

- Benefit of organizations or other governments not part of reporting entity
- Not derived from provision of goods and services to those organizations or other governments

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Implementation Consideration

Evaluating Whether Activity is Derived from Government's Own Source Revenue

- Basic principle: the government cannot be a fiduciary for its own resources

Tuition – Student activity fees	Nursing home patient accounts
Other student activity accounts	Deposits (customers vs. other)
Jails – Prisoner inmate account	Retainage payable on contracts
Property taxes	Employee benefits
Tax increment financing (TIFs)	Courts

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Assets *not* derived from certain revenues

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- Assets associated with activity *not* derived (1) **solely** from the government's own-source revenue, or (2) **from government-mandated or voluntary nonexchange transactions**

- Except for pass-through grants for which the government does *not* have administrative or direct financial involvement (GASB 24 ¶5)

- Examples:

Administrative involvement

- Monitors secondary recipients for compliance with requirements
- Determines eligible secondary recipients
- Ability to exercise discretion on how funds are allocated

Direct financial involvement

- Finances some program costs through grantor-imposed matching requirement
- Liable for disallowed costs

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Other Activities – Custodial Funds

- ▶ Custodial Funds:
 - Report custodial activity not held in a Trust.
 - Report the external portion of an external investment pool that is not held in Trust in a separate “External Investment Pool Fund” column under Custodial Funds.

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Stand-Alone Business-Type Activities

A stand alone BTA's fiduciary activities should be reported in separate fiduciary fund financial statements.

Exception: Resources expected to be held 3 months or less can be reported instead in the statement of net position, with inflows and outflows reported as operating cash flows in the statement of cash flows

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Examples – All Other Activities

- ▶ Taxes
 - Property Tax Collected by County on Behalf of City
 - City Sales Tax
- ▶ Inmate Funds
- ▶ Student Activity Funds or SSO Funds held by the School
- ▶ Pass-through Grants
- ▶ Customer Deposits
- ▶ IRC 457 Plans
- ▶ Escheat Funds

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Examples – All Other Activities

- ▶ Tax Increment Financing
- ▶ Patient Accounts
- ▶ Retainage Payable on Contracts
- ▶ Courts (Litigants, Heirs, Others)
- ▶ Employee payroll deductions
- ▶ Cemetery Associations
- ▶ Asset Seizures
- ▶ Cash Bonds

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Alternative way to decide fiduciary activities

1. Is the entity a component unit? **If no go to step 3.**
2. Are the assets held for pensions or OPEB arrangements? **If no, go to step 4. If 1 and 2 are yes, then fiduciary reporting.**
3. Does the government control the assets? **If no, stop – not a fiduciary fund. Go to Step 5.**
4. Does the assets meet the revenue and other characteristics? **If no, stop – not a fiduciary fund. If yes – fiduciary fund.**
5. Are the assets held for pension or OPEB arrangements? **If yes, report in a fiduciary fund**
6. Are the assets not derived from certain revenues? **If no, stop – not a fiduciary fund. If yes – fiduciary fund.**

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Component Unit – Postemployment Benefits

- ▶ Normally, pension and OPEB plans that are in GASB 67 and GASB 74 compliant trusts are separate **legal** entities
 - Exposure Draft IG – 4.1; Pension/OPEB Trust are considered legally separate for financial reporting purposes
 - Exposure Draft IG – 4.3; if Pension/OPEB is an **equivalent** arrangement legally separate is a legal issue. (legal - consider CU criteria, not evaluate control)
- ▶ Absent a Board – Common with OPEB and Single Employer Pension Plans
 - Exposure Draft IG – 4.5 – indicate most likely board responsibilities fall to the sponsoring government.

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Individual Vs Organization

- ▶ Key consideration as one requires consideration of **Administrative Involvement**
 - Individual – Have to consider
 - Organization – No consideration
- ▶ Exposure Draft IG 4.17 – Chess Club
 - Assets are for the benefit of an organization if the benefits accrue to the organization as an institution....club is not legally separate...it is not itself an institution. As a result, the provisions in paragraph 11c(2) should be applied.

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What is Administrative Involvement vs. Direct Financial Involvement?

Administrative Involvement Could Be:

- Monitoring compliance - (Sub-recipient relationship).
- Determining eligible expenditures (Sub-recipient relationship).
- Having the ability to exercise discretion in how assets are allocated.

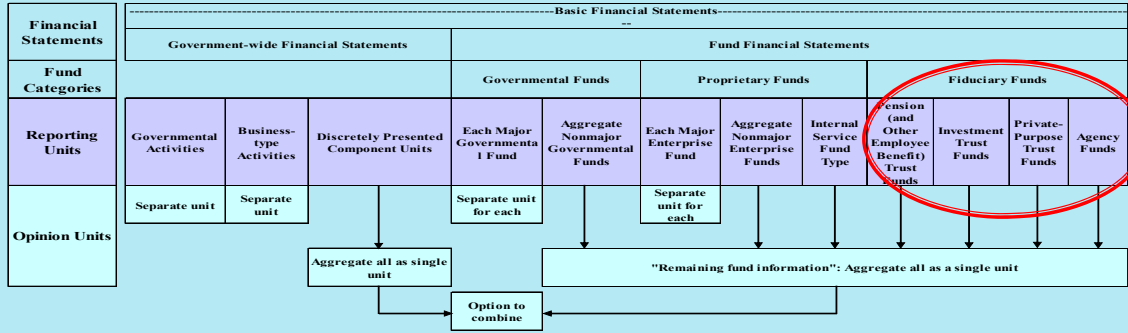
Direct Financial Involvement Could Be:

- Providing matching resources for the activities. (ex. grant match)
- When liable for disallowed costs (or the sub-recipient through the pass-through-entity).

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GASB Governments

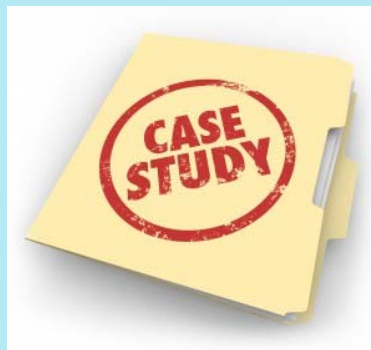
Overview of Reporting Units and Opinion Units
FOR DISCUSSION PURPOSES ONLY



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Case Studies Derived From ED IG



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Property Tax

- ▶ Local School District has levied a property tax for the fiscal year
- ▶ Property tax levies are billed and collected by the County Government
- ▶ The County collects and remits the amounts associated with the Districts levy monthly as the amounts are collected
- ▶ The School District is not part of the reporting entity of the County.

Fiduciary or not fiduciary?

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Evaluation

- ▶ Property Tax

<i>Step 1</i>	<i>Answer</i>
Component Unit Criteria Met	
<i>OR</i>	
Govt controls the assets	
AND	
Assets not derived from the governments own source revenue/govt. mandated/voluntary nonexchange	
<i>Step 2</i>	
1. Trust which govt not a beneficiary 2. dedicated to providing benefits in accordance with terms 3. legally protect from govt's creditors	
<i>OR</i>	
For the benefit of individuals & govt does not have <i>administrative involvement or direct financial involvement</i>	
AND	
Assets not derived from the governments provisions of goods & services to those individuals	
<i>OR</i>	
For the benefit of organizations or other govts that are not part of financial reporting entity	
AND	
Assets not derived from the governments provisions of goods & services to those individuals	
Conclusion (if you have a yes answer in step 1 and step 2 the activity is fiduciary)	

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Property Tax – ED IG 4.39

- ▶ Q—A county collects property taxes on behalf of the other tax-levying governments within its jurisdiction. The county collects a fee, equal to 1 percent of the amount billed, from the other governments to provide this service. The taxes are deposited into the county collector’s property tax distribution account, a custodial fund. Should the county report the fees in the custodial fund with the taxes collected?

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Property Tax – ED IG 4.39

- ▶ A—No. The county is obligated to provide the collection service for which a fee is charged to the other taxing governments. The nature of that transaction is exchange or exchange-like, resulting in own-source revenues of the county. Paragraph 11b(1) of Statement 84 states that an activity is not fiduciary if the assets are derived from the government’s own-source revenues. Therefore, the county should report the fees in its governmental fund financial statements.

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Seized assets – ED IG – 4.11

- ▶ 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?

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Seized assets – ED IG – 4.11

- ▶ 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.

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Payroll withholding – ED IG 4.16

- ▶ Q—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 the fiduciary fund financial statements?

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Payroll withholding – ED IG 4.16

- ▶ A—No. Although the government has control of the assets because it has custody of the cash withheld, the unremitted amounts in the clearing account are a liability of the government. When the deductions are withheld from an employee's pay, the amounts withheld and accrued by the employer become a liability of the government. As a result, the government is holding the amounts for its own benefit and the criteria in paragraph 11c of Statement 84 are not met.

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Inmate Fund – ED IG 4.25 & 4.15

- ▶ Inmates housed in the local government jail are provided an individual inmate account
 - Funded by earnings from jobs
 - Deposits of money when obtained or by family members
- ▶ Inmates make purchases as needed,
 - Order magazines/stationary outside the jail
 - Commissary purchases
- ▶ Correctional Officer required to provide authorizing signature on outside purchases
 - Signature to ensure outside contraband does not enter facility
- ▶ Upon release the balance of the individual account is provided to the individual.

Fiduciary or not fiduciary?

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Evaluation

- ▶ Inmate Fund

<i>Step 1</i>	<i>Answer</i>
Component Unit Criteria Met	
<i>OR</i>	
Govt controls the assets	
AND	
Assets not derived from the governments own source revenue/govt. mandated/voluntary nonexchange	
<i>Step 2</i>	
1. Trust which govt not a beneficiary 2. dedicated to providing benefits in accordance with terms 3. legally protect from govt's creditors	
<i>OR</i>	
For the benefit of individuals & govt does not have <i>administrative involvement or direct financial involvement</i>	
AND	
Assets not derived from the governments provisions of goods & services to those individuals	
<i>OR</i>	
For the benefit of organizations or other govts that are not part of financial reporting entity	
AND	
Assets not derived from the governments provisions of goods & services to those individuals	
Conclusion (if you have a yes answer in step 1 and step 2 the activity is fiduciary)	

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KEY ELEMENTS OF 84 TO ANSWER SAF QUESTIONS

- Focus is on par. 11(c)(2) of GASB-84 for Student Funds
 - For activities not addressed in paragraphs 6-10 (pensions, OPEB, fiduciary component units etc.) the activity **is a fiduciary activity** if **all** the following criteria are met:
 - a. Assets controlled by the government
 - b. The assets associated with the activity are *not derived* either:
 - (1) Solely from the government's own source revenues; *or*
 - (2) From government-mandated nonexchange transactions or voluntary nonexchange transactions, (except for pass-through grants where there is no administrative or direct financial involvement).
 - c. **The assets associated with the activity have one or more of the following**
 - (1) Assets are held in trust where government is not a beneficiary etc. and assets are legally protected from creditors;
 - (2) **Assets are for the benefit of individuals AND the government does *not* have administrative involvement with the assets and are not derived from provision of goods / services to the individuals.**

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Student Activity Fund – ED IG 4.21

- ▶ A school district holds the funds raised by various student clubs, which are not legally separate from the school district.
- ▶ 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.
- ▶ The funds are not held in a trust or equivalent arrangement.

Fiduciary or not fiduciary?

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Evaluation

▶ Student Activity Fund

Step 1	Answer
Component Unit Criteria Met	
<i>OR</i>	
Govt controls the assets	
AND	
Assets not derived from the governments own source revenue/govt. mandated/voluntary nonexchange	
Step 2	
1. Trust which govt not a beneficiary 2. dedicated to providing benefits in accordance with terms 3. legally protect from govt's creditors	
<i>OR</i>	
For the benfit of individuals & govt does not have <i>administrative involvement</i> or <i>direct financial involvement</i>	
AND	
Assets not derived from the governments provisions of goods & services to those individuals	
<i>OR</i>	
For the benfit of organizations or other govts that are not part of financial reporting entity	
AND	
Assets not derived from the governments provisions of goods & services to those individuals	
Conclusion (if you have a yes answer in step 1 and step 2 the activity is fiduciary	

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Student Activity Fund – ED IG 4.21

- ▶ 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.

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Student Activity Fund – ED IG 4.21 modified

- ▶ Same consideration except the a parent(s) of the a club establish how the resources can be spent?

Fiduciary or not fiduciary?

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Student Activity Fund – ED IG 4.22

- ▶ 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?

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Student Activity Fund – ED IG 4.22

- ▶ 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.

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Student Activity Fund – ED IG 4.22

- ▶ Q—Assume the same facts as in Question 4.22, 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?

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Student Activity Fund – ED IG 4.22

- ▶ 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 and organizations can be spent.

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What About Statement 32

- ▶ With GASB Statement No. 32 many of the 457 plans were no longer reported within the reporting entity.
- ▶ Does this statement change the treatment under Statement No. 84?

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Its Fiduciary Now What?

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Fiduciary Fund Types

- ▶ Pension/OPEB trust funds – we know these!!
- ▶ Investment trust funds - report fiduciary activities from the external portion of investment pools and individual investment accounts that are held in a trust that meets the criteria in paragraph 11c(1).
- ▶ Private-purpose trust funds - report all fiduciary activities that (a) are not required to be reported in pension (and other employee benefit) trust funds or investment trust funds and (b) are held in a trust that meets the criteria in paragraph 11c(1).
- ▶ Custodial funds - report fiduciary activities that are not required to be reported in the other three trust funds.

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FIDUCIARY FUND REPORTING – ONLY ONE MAJOR CHANGE

- Pension and other Employee Benefit Trust Funds – **no change**
- Investment Trust Funds – **no change**
- Private-Purpose Trust Funds – **no change**
- Custodial Funds – **NEW**
 - Could be Multi-Column
 - **External portion of investment pool**

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Fiduciary Fund Types - Custodial

- ▶ Custodial funds
 - Report fiduciary activities not held in trust
 - Report external portion of investment pool not held in trust in separate 'external investment pool fund' column under custodial funds
- ▶ Exception: Assets normally expected to be held 3 months or less by a business-type activity
 - May report asset and corresponding liability instead of a separate custodial fund
 - Additions/deductions reported as operating cash inflows/outflows in statement of cash flows

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Statement of Change in Net Position - Custodial Funds

- Required to report for Custodial Funds:
 - Agency funds did not report this statement.
- If resources held for three months or less
 - Option to report single aggregated totals for
 - Additions
 - Deductions
 - Example – County collects and remits property taxes to other taxing bodies
 - Addition – *Property taxes collected for other governments*
 - Deduction – *Property taxes remitted to other governments*

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	Pension (and Other Employee Benefit) 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:				
Employee	2,123	—	—	—
Employer	83,004	—	—	—
Taxes for other governments	—	—	—	206,937
Interest and dividends	175,402	12,166	—	—
Sale of investments	30,879	—	—	—
Total receivables	291,408	12,166	—	206,937
Investments at fair value:				
Short-term investments	2,268,960	241,645	61,591	—
Bonds, notes, mortgages, and preferred stock	14,115,391	804,575	187,650	—
Common stock	20,342,440	—	520,196	—
Real estate	3,408,145	—	—	—
International investments	1,723,951	—	—	—
Mutual funds	72,315	178,045	—	—
Pooled investment funds	23,128	—	—	—
Total investments	41,954,330	1,224,267	769,437	—
Securities lending collateral	1,746,544	—	—	—
Other assets	13,519	181	81,157	361
Total assets	44,190,152	2,077,307	955,341	265,494
LIABILITIES				
Accounts payable and other liabilities	130,846	1,381	61,447	1,451
Due to local governments	—	—	—	164,201
Obligations under securities lending	1,346,544	—	—	—
Other long-term liabilities	1,617	—	7,870	—
Total liabilities	1,479,007	1,381	69,317	165,652
NET POSITION				
Restricted for:				
Pensions	29,897,802	—	—	—
Postemployment benefits other than pensions	12,813,343	—	—	—
Pool participants	—	2,075,946	—	—
Individuals, organizations, and other governments	—	—	865,024	96,842
Total net position	\$ 42,711,145	\$ 2,075,946	\$ 865,024	\$ 96,842

► *Similar except
for Custodial
Funds*

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Government ABC Statement of Changes in Fiduciary Net Position Fiduciary Funds for the Year Ended June 30, 20X2 (in thousands)				
	Pension (and Other Employee Benefit) Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Custodial Funds
ADDITIONS				
Contributions:				
Members	\$ 297,846	\$ —	\$ —	\$ —
Employers	1,250,384	—	—	—
Other plans	148,792	—	—	—
Gifts and bequests	—	—	187,268	—
Total contributions	1,706,022	—	187,268	—
Investment earnings:				
Net increase in fair value of investments	1,852,408	64,663	33,702	—
Interest, dividends, and other	1,416,448	58,465	30,378	—
Securities lending income	76,075	—	—	—
Total investment earnings	3,344,931	123,128	64,080	—
Less investment costs:				
Investment activity costs	32,281	50,236	63	—
Securities lending costs	73,842	—	—	—
Net investment earnings	3,239,008	72,892	64,017	—
Capital share and individual account transactions:				
Shares sold	—	2,817,210	—	—
Reinvested distributions	—	72,892	—	—
Shares redeemed	—	(2,778,843)	—	—
Net capital share and individual account transactions	—	113,259	—	—
Sales tax collections for other governments	—	—	—	1,811,120
Miscellaneous	1,130	—	—	1,488
Total additions	4,946,160	166,151	261,275	1,812,598
DEDUCTIONS				
Benefits paid to participants or beneficiaries	1,963,047	—	—	—
Medical, dental, and life insurance for retirees	536,027	—	—	—
Refunds and transfers to other systems	170,514	—	—	—
Administrative expense	19,920	—	43	293
Beneficiary payments to individuals	—	—	211,179	—
Payments of sales tax to other governments	—	—	—	1,811,120
Distributions to shareholders	—	72,892	—	—
Total deductions	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	40,454,493	1,962,687	635,971	98,667
Net position—ending	\$ 42,711,145	\$ 2,075,946	\$ 686,024	\$ 99,842

▶ *Similar
except for
Custodial
Funds*

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Liability Recognition

- ▶ Recognize a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources
 - Events that compel a government to disburse resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the asset.

Liabilities other than those to beneficiaries should be recognized in accordance with existing accounting standards using the economic resources measurement focus

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ED IG Question 4.47

- ▶ 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?

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ED IG Question 4.47

- ▶ 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.

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Stand-Alone Business-Type Activities

- ▶ A stand alone BTA's fiduciary activities should be reported in separate fiduciary fund financial statements.
- ▶ Resources expected to be held 3 months or less can be reported instead in the statement of net position, with inflows and outflows reported as operating cash flows in the statement of cash flows

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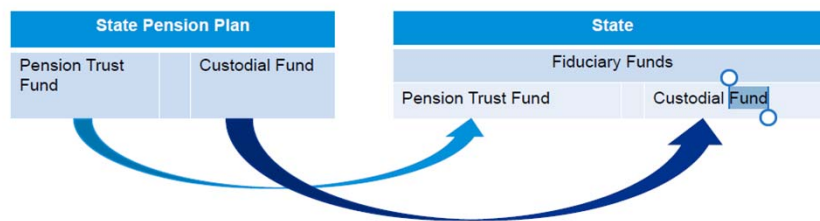
Reporting Entity Consideration

- ▶ As the primary government what is the appropriate treatment of fiduciary funds of a discrete component unit?
- ▶ Statement 84 does not affect the current guidance of Statement 34 par. 126.
 - Requires inclusion of the aggregated total of a CU, which does not include its fiduciary funds or fiduciary CU's.
 - Exception, see next slide.

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Fiduciary component units

- Fiduciary fund financial statements of a primary government
 - Fiduciary component unit should include combined information of its own fiduciary component units
 - Aggregated with primary governments fiduciary funds
 - Example: State Pension Plan is a component unit of the State. State Pension Plan has a component unit that is a custodial fund



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How to implement??

Someone has to be in charge to gather information – completeness is key

- May take many *periods*
- May involve legal team and treasurer / CFO
- May involve software changes

Compare each activity against

- GASB-84
- Governmental Fund Provisions in Other Standards
- Enterprise / Proprietary Fund Provisions in Other Standards
- Component Unit Standards

Information could be in

- Laws / regulations (especially student activity funds)
- Contracts
- Trust agreements / similar
- Gather information on revenue sources / uses

DOCUMENT IT – consistent forms a good idea

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How to implement??

Could result in

- Reclassification to governmental / enterprise funds
- Reclassification from one fiduciary type to another
- Adjustments
- Redrafting of policies / procedures for fund creation, accounting and reporting
- Systems updating

DOCUMENT DECISIONS / CHANGES – consistent forms a good idea

Implementation Guide will be final by late spring

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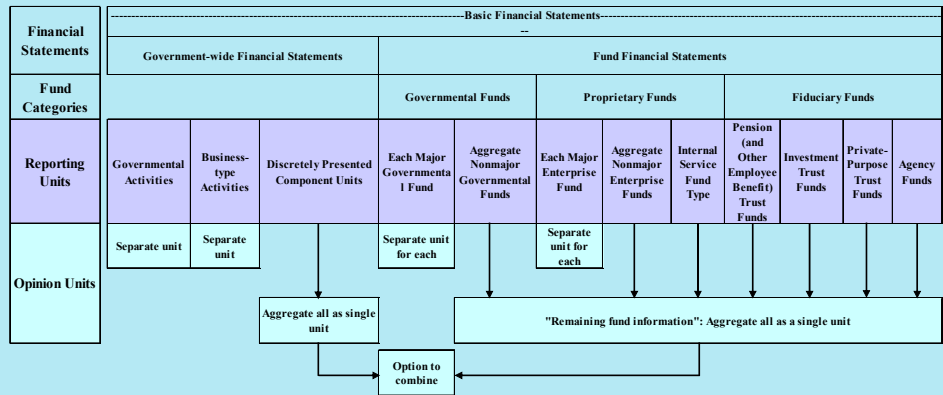
Materiality - Accountant

- ▶ Add IG question regarding materiality from GASB IG 2015-1 Question 7.4.1
- ▶ Q—In preparing financial statements, how should those financial statements be viewed for determining materiality?
 - Quantitative and Qualitative significance
 - Components of remaining fund info consider professional judgement considering relevant qualitative factors and relationship of fund reporting units to other info in the financial statements
 - quantitative materiality determination for each fiduciary fund type could be made based on the significance of those funds to all fiduciary funds of the reporting government, or it could be based on the significance of those funds to all funds of the government

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Materiality - Auditor

Overview of Reporting Units and Opinion Units
FOR DISCUSSION PURPOSES ONLY



Audit Materiality is based on the opinion unit

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Questions?

The main question I have is, Are you serious GASB?

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