

GASB 84: Fiduciary Activities

Understanding and Preparing for GASB Statement No. 84

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Objectives

- Recognize the scope and effective date of GASB Statement No. 84, “Fiduciary Activities”
- Identify fiduciary activities
- Summarize the types of fiduciary funds and illustrate their financial reporting
- Identify ways to prepare for implementation and resources available



Summary

- ❖ Improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported
- ❖ Establishes criteria for identifying fiduciary activities of all state and local governments
- ❖ Effective for reporting periods beginning after December 15, 2018





Identifying Fiduciary Activities

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What are fiduciary activities?

- A component unit is a fiduciary activity (a **fiduciary component unit**) if it meets the criteria set forth in paragraphs 6–9, as applicable.
- Other activities are **fiduciary activities** if they meet the criteria in paragraph 10 or paragraph 11.



Fiduciary Component Units

Paragraph 6

- If a **component unit** per GASB 14, as amended, it is a fiduciary activity if it is one of the following:
 - a) A pension plan that is administered through a trust that meets the criteria in paragraph 3 of Statement 67
 - b) An other postemployment benefit (OPEB) plan that is administered through a trust that meets the criteria in GASB 74 paragraph 3
 - c) A circumstance in which assets from entities that are *not* part of the reporting entity are accumulated for pensions as described in GASB 73 paragraph 116
 - d) A circumstance in which assets from entities that are *not* part of the reporting entity are accumulated for OPEB as described in GASB 74 paragraph 59



Fiduciary Component Units

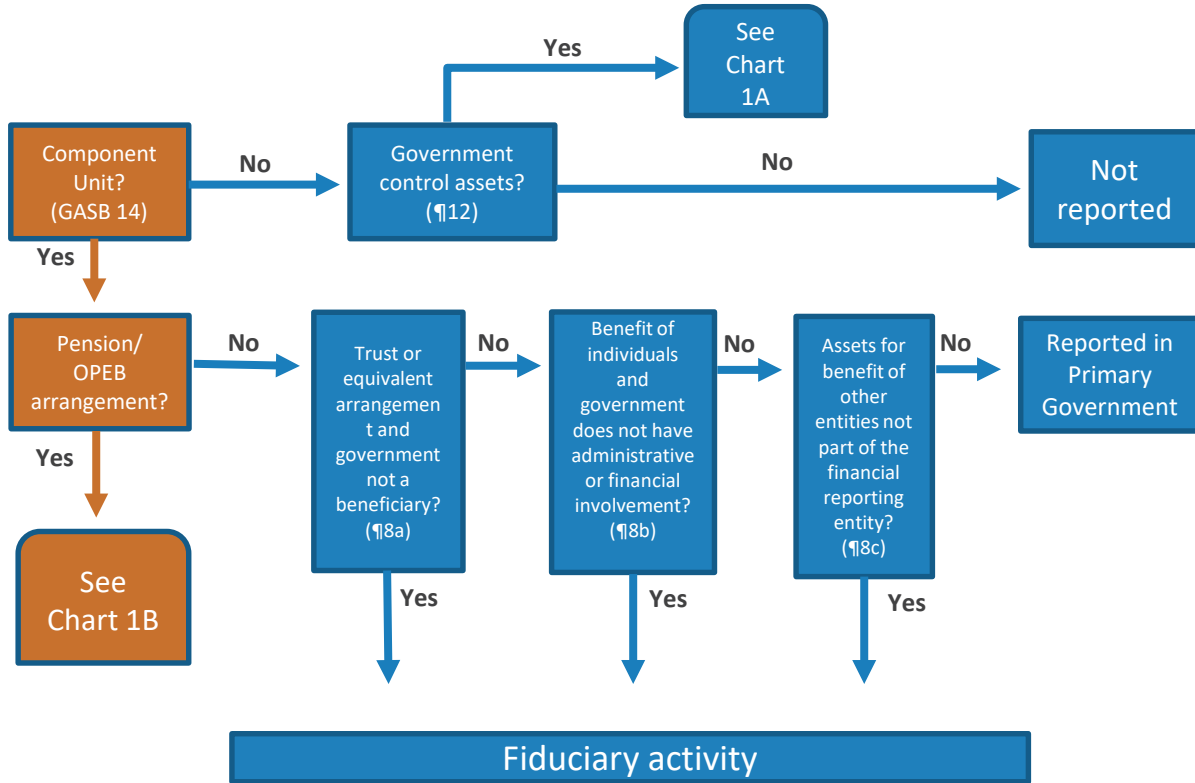
Paragraph 7

- Pension and OPEB plans that meet the criteria in GASB 67 par and GASB 74 par 3, respectively, are generally legally separate entities
- In determining whether those legally separate entities are component units, a primary government is considered to have a financial burden if it is legally obligated or has otherwise assumed the obligation to make contributions to the pension plan or OPEB plan.



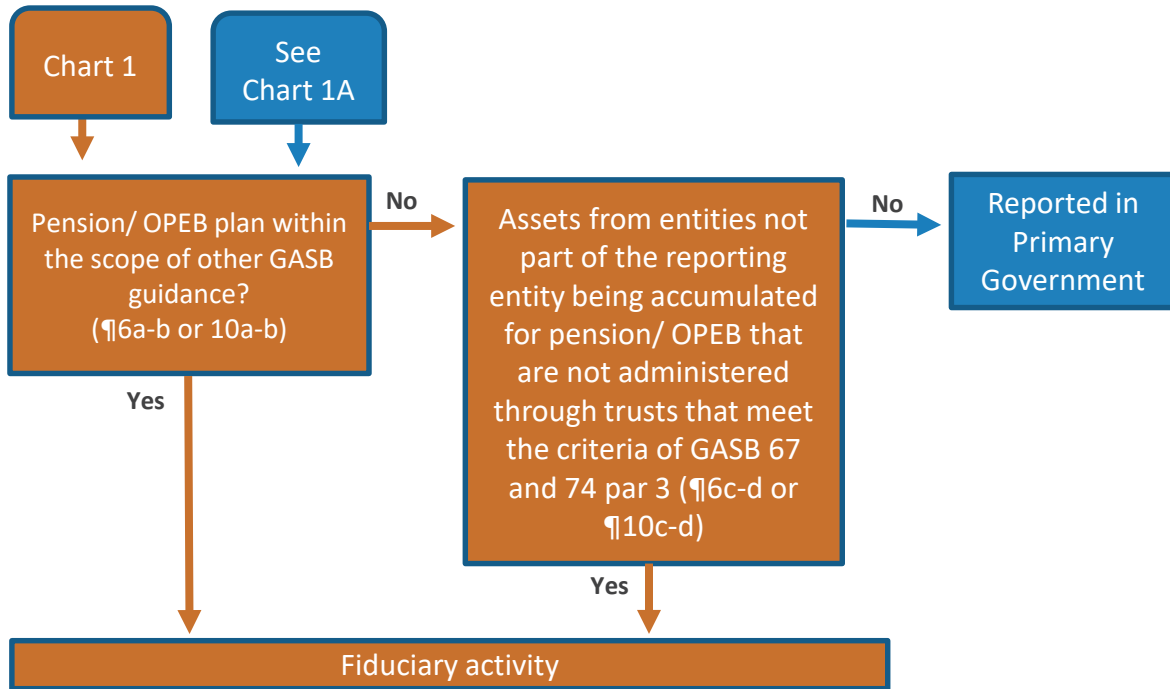
Flowchart Analysis

Chart 1



Flowchart Analysis

Chart 1B



Fiduciary Component Units

Paragraph 8

- **Component units (excluding pension and OPEB arrangements per par 6) are fiduciary activities if one of more of the following are true:**
 - a) The assets are (1) administered through a trust agreement or equivalent arrangement (“trust”) in which the government is not a beneficiary, (2) dedicated to providing benefits to recipients in accordance with the benefit terms, **and** (3) legally protected from creditors of the government
 - b) 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.
 - c) 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.



Fiduciary Component Units

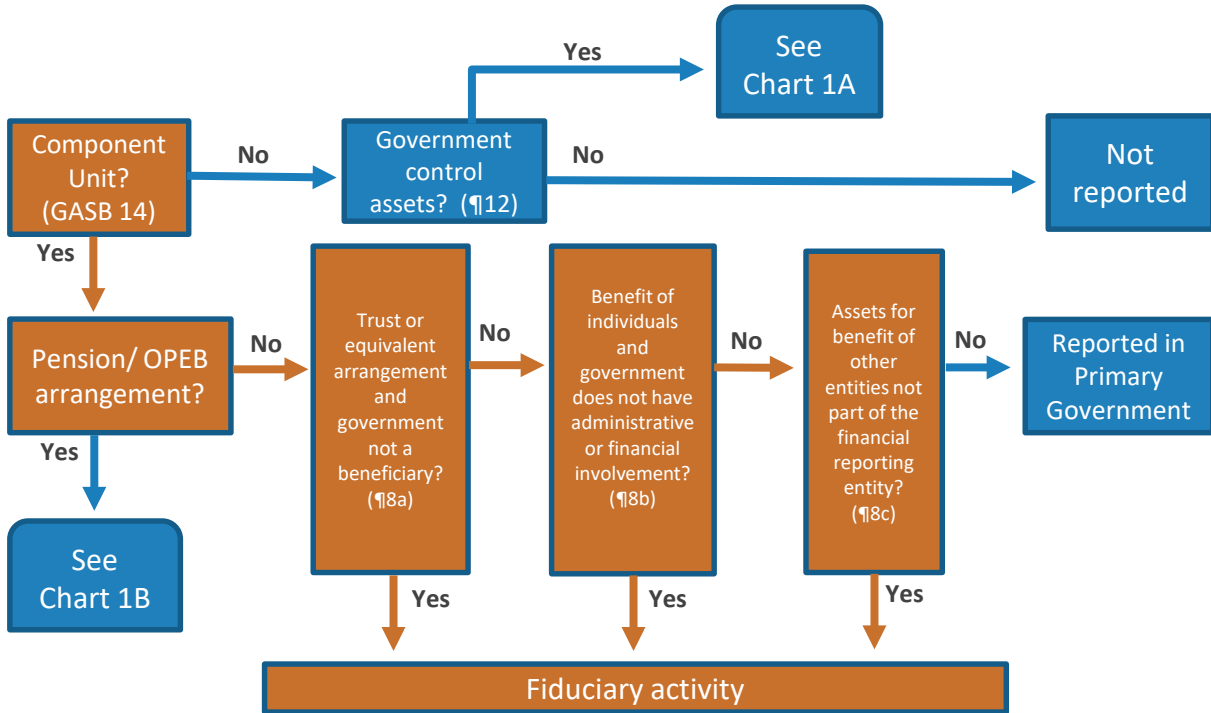
Paragraph 9

- In determining whether a component unit is a fiduciary component unit, control of the assets of the component unit by the primary government (per par 12) is *not* a factor to be considered.



Flowchart Analysis

Chart 1



Fiduciary Activities

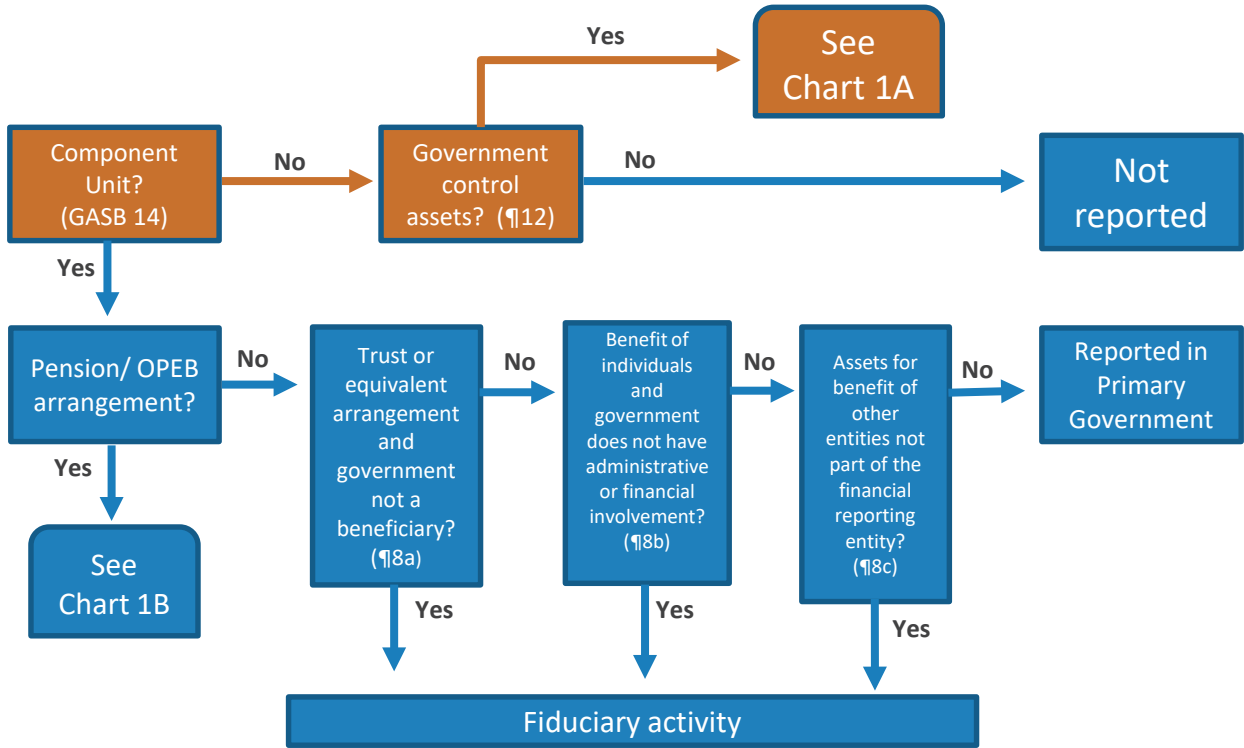
Paragraph 10

- If they are **not component units**, the following **pension and OPEB arrangements** are fiduciary activities if the government controls the assets of the arrangement (as described in paragraph 12):
 - a) A pension plan that is administered through a trust that meets the criteria in paragraph 3 of Statement 67
 - b) An OPEB plan that is administered through a trust that meets the criteria in paragraph 3 of Statement 74
 - c) 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
 - d) 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



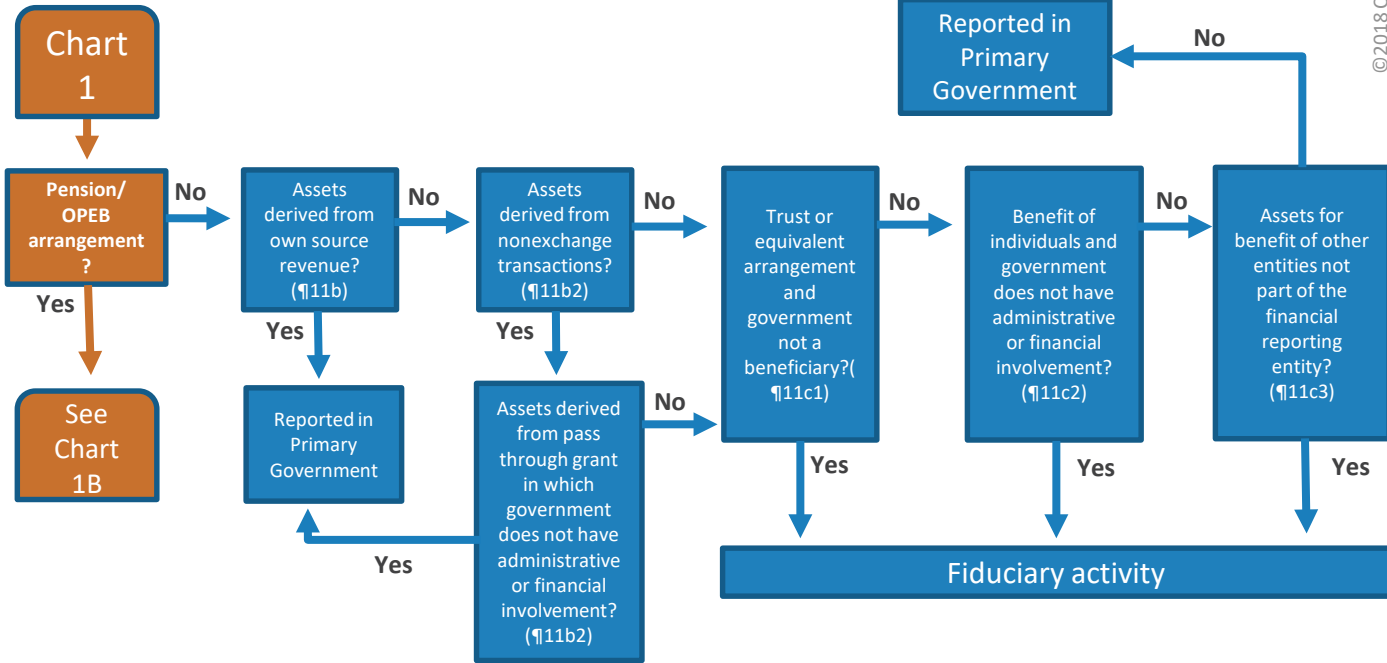
Chart 1

Flowchart Analysis



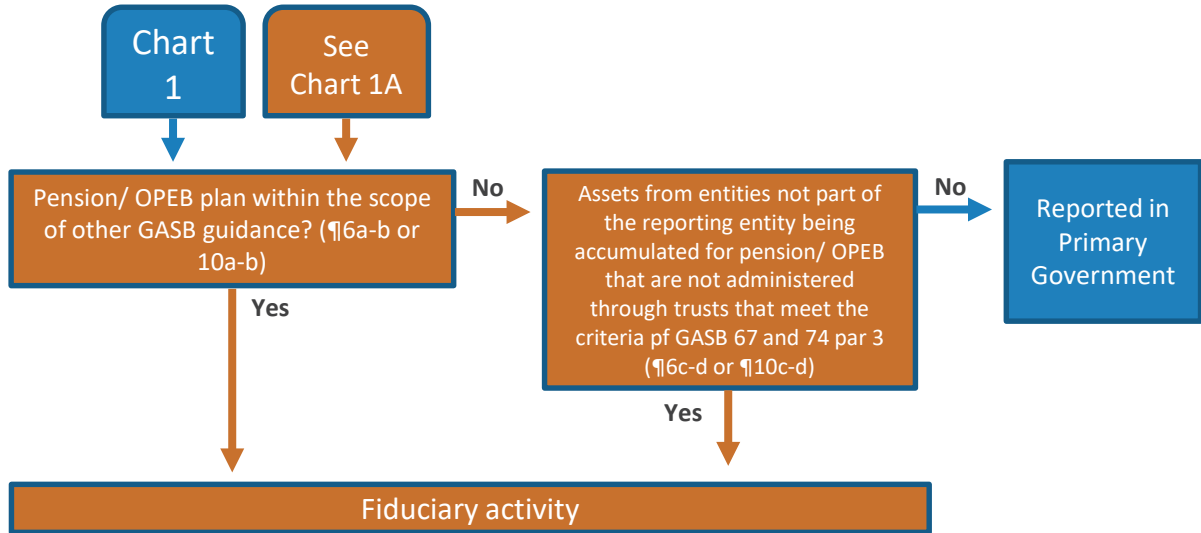
Flowchart Analysis

Chart 1A



Flowchart Analysis

Chart 1B



Fiduciary Activities

Paragraph 11

- For activities not addressed in paragraphs 6–10, the activity is a fiduciary activity if all of the following criteria are met:
 - a) The assets associated with the activity are controlled by the government (§12)
 - b) The assets associated with the activity are *not* derived either:
 - i. Solely from the government’s own-source revenues (§13) or
 - ii. From government-mandated nonexchange transactions or voluntary nonexchange transactions with the exception of pass-through grants for which the government does *not* have administrative involvement or direct financial involvement.



Fiduciary Activities

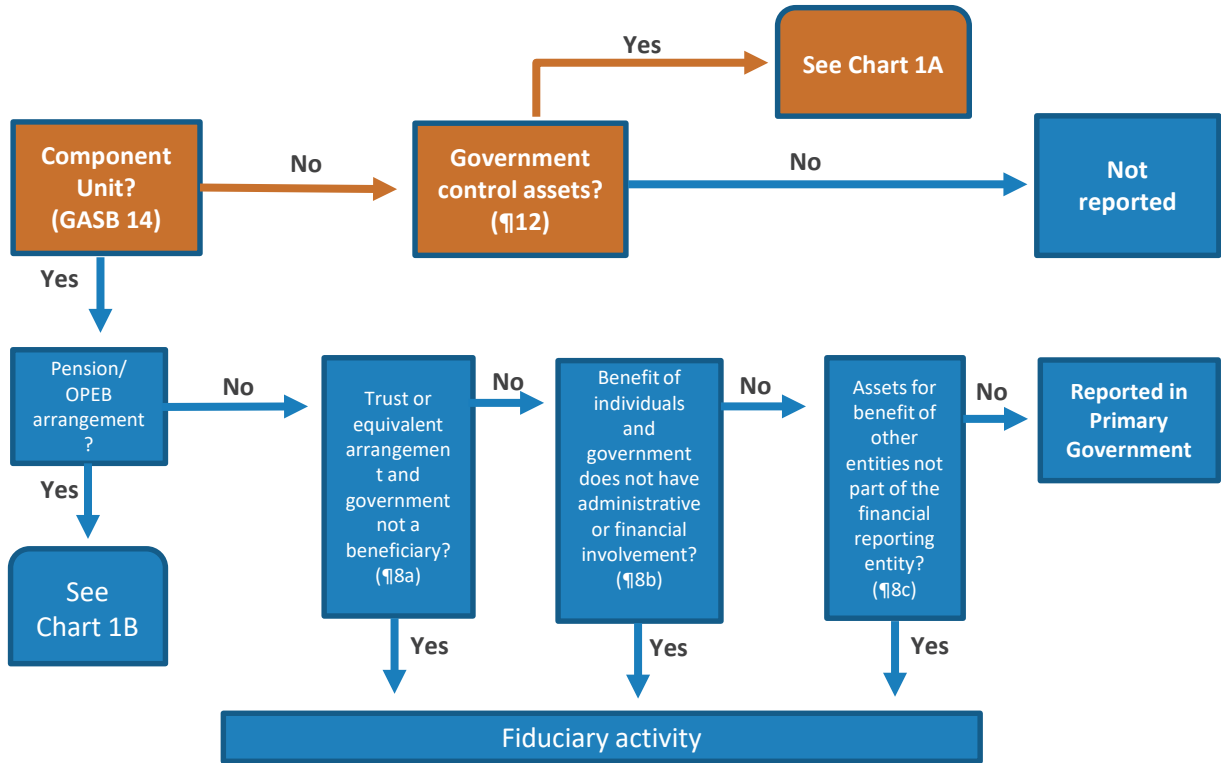
Paragraph 11

- c) The assets associated with the activity have one or more of the following characteristics:
- i. The assets are (a) administered through a trust in which the government itself is *not* a beneficiary, (b) dedicated to providing benefits to recipients in accordance with the benefit terms, and (c) legally protected from the creditors of the government.
 - ii. 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.
 - iii. 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.



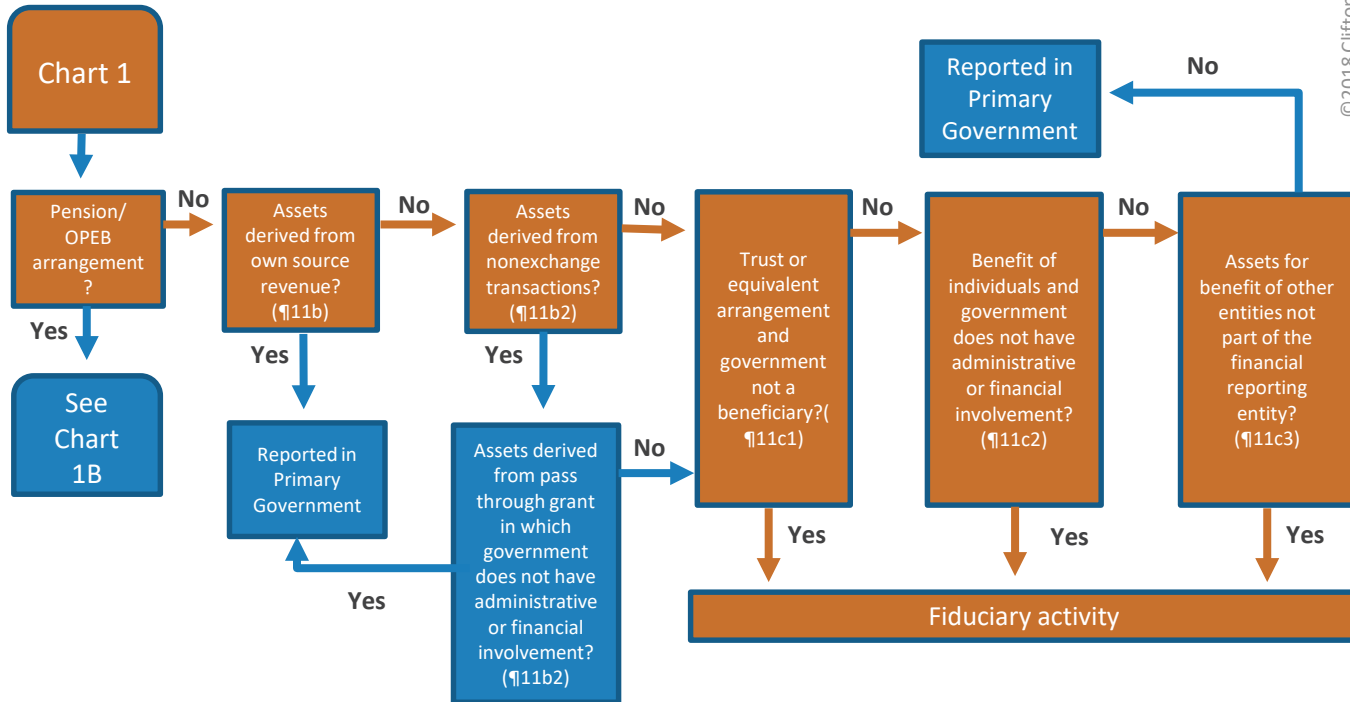
Flowchart Analysis

Chart 1



Flowchart Analysis

Chart 1A



Fiduciary Activities' Definitions

Control of Assets

- A government controls the assets of an activity if the government (a) holds the assets or (b) has the ability to direct the use, exchange, or employment of the assets in a manner that provides benefits to the specified or intended recipients. Restrictions from legal or other external restraints that stipulate the assets can be used only for a specific purpose do not negate a government's control of the assets.

Own-Source Revenue

- Own-source revenues are revenues that are generated by a government itself. They include exchange and exchange-like revenues (for example, water and sewer charges) and investment earnings. Derived tax revenues (such as sales and income taxes) and imposed nonexchange revenues (such as property taxes) also are included.



Fiduciary Activities' Definitions

Administrative Involvement

- Examples include monitoring compliance with the requirements of the activity, determining eligible expenditures, and has the ability to exercise discretion over how assets are allocated.

Direct Financial Involvement

- Examples include providing matching resources for the activities or being liable for disallowed costs





Accounting for Fiduciary Activities

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Fiduciary Funds

1. Pension (and other employee benefit) trust funds
2. Investment trust funds
3. Private-purpose trust funds
4. Custodial funds

Agency funds are no longer used



Fiduciary Funds

Pension (and other employee benefit) trust funds

- Pension plans and OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively
- Other employee benefit plans for which (1) resources are held in a trust that meets the criteria in paragraph 11c(1) and (2) contributions to the trust and earnings on those contributions are irrevocable.



Fiduciary Funds

Investment trust funds

- 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).



Fiduciary Funds

Private-purpose trust funds

- Activities that are *not* required to be reported in pension (and other employee benefit) trust funds or investment trust funds
- Activities that are held in a trust that meets the criteria in paragraph 11c(1).



Fiduciary Funds

Custodial funds

- Activities that are *not* required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds.
- The external portion of investment pools that are not held in a trust that meets the criteria in paragraph 11c(1) should be reported in a separate *external investment pool fund* column, under the custodial funds classification.
- Business-type activities/enterprise funds may report assets and a corresponding liability that otherwise should be reported in a custodial fund in the corresponding statement of net position if those assets, upon receipt, are normally expected to be held for three months or less.





Reporting Fiduciary Activities

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Fiduciary Financial Statements

Statement of fiduciary net position

- Report the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position of pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds

Statement of changes in fiduciary net position

- Report additions to and deductions from pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and **custodial funds**



Fiduciary Financial Statements

Statement of fiduciary net position

	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	804,576	187,650	—
Common stock	20,342,440	—	520,196	—
Real estate	3,408,145	—	—	—
International investments	1,723,951	—	—	—
Mutual funds	72,315	178,046	—	—
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



Fiduciary Financial Statements

LIABILITIES

Accounts payable and other liabilities	130,846	1,361	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	1,361	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	—	—	886,024	99,842
Total net position	\$ 42,711,145	\$ 2,075,946	\$ 886,024	\$ 99,842



Fiduciary Financial Statements

Statement of changes in fiduciary net position

	Pension (and Other Employee Benefit) Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Custodial Funds
ADDITIONS				
Contributions:				
Members	\$ 297,846	\$ —	\$ —	\$ —
Employers	1,259,384	—	—	—
Other plans	148,792	—	—	—
Gifts and bequests	—	—	197,258	—
Total contributions	1,706,022	—	197,258	—
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	73,642	—	—	—
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	—	(2,776,843)	—	—
Net capital share and individual account transactions	—	113,259	—	—
Sales tax collections for other governments	—	—	—	1,811,120
Miscellaneous	1,130	—	—	1,468
Total additions	4,946,160	186,151	261,275	1,812,588



Fiduciary Financial Statements

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	<u>2,689,508</u>	<u>72,892</u>	<u>211,222</u>	<u>1,811,413</u>
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	835,971	98,667
Net position—ending	<u>\$ 42,711,145</u>	<u>\$ 2,075,946</u>	<u>\$ 886,024</u>	<u>\$ 99,842</u>





Wrap Up

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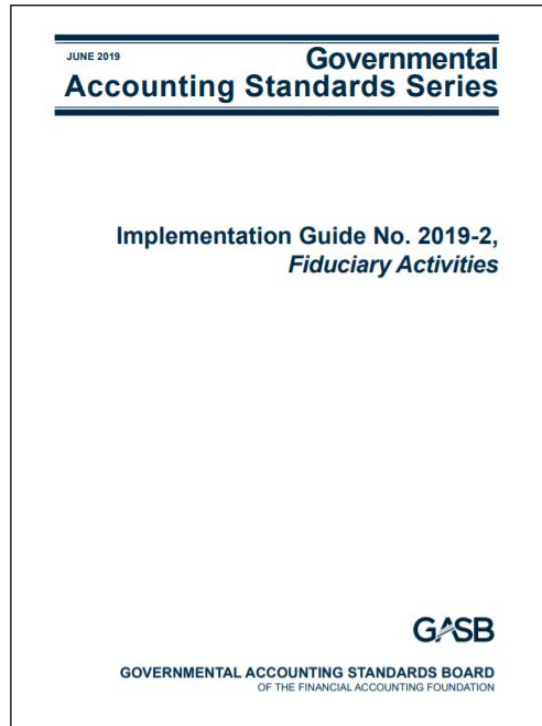
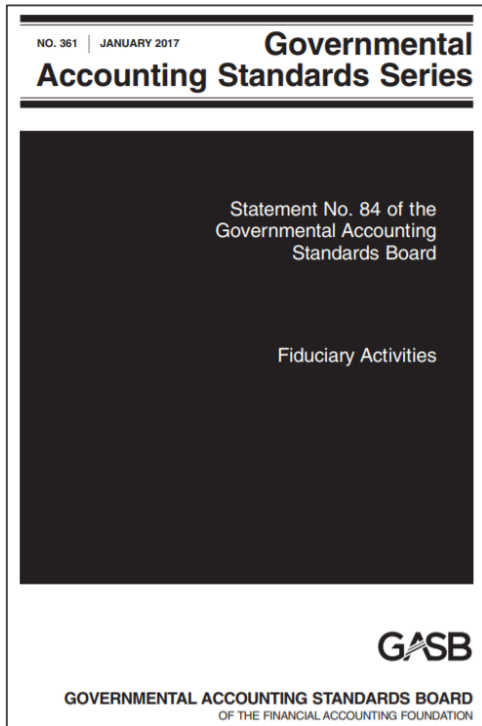
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Getting Ready for GASB 84

- ✓ Begin evaluating potential activities now
- ✓ Consult with auditor and/ or GASB staff for uncommon situations
- ✓ Be aware of exemptions and GASB's immaterial clause
- ✓ Ensure your reporting software can handle the changes
- ✓ Educate governing boards
- ✓ Discuss additional audit work with auditor



Available Resources



Implementation Guide Q&A (4.11)

Q—A city hires a contractor to construct a new city building. The contractor provides the city with a cash deposit to be held by the city as an assurance that the project will be completed on schedule and in accordance with the plans and specifications. If the contractor does not complete the project satisfactorily, the deposit will be forfeited to the city. If the contractor satisfactorily completes the project, the city will refund the deposit. Should the city report the contractor deposit in a fiduciary fund?

A—No. Although the control criteria in paragraph 12 of Statement 84 are met because the city is holding the cash, the deposit is the result of an exchange transaction between the contractor and the city. The city is holding the cash for its own benefit and the criteria in paragraph 11c are not met. Therefore, the cash deposit and a related liability would be reported in the city's governmental or enterprise fund financial statements.



Implementation Guide Q&A (4.10)

Q—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?

A—Yes. The activity should be reported as a fiduciary activity because the city, as custodian, is holding and therefore controlling the assets (which meets the criterion in paragraph 11a of Statement 84). Furthermore, the assets are not derived from the city's own-source revenues or from government-mandated nonexchange transactions or voluntary nonexchange transactions (which meets the criterion in paragraph 11b of Statement 84) and are held in a trust that meets the criteria in paragraph 11c(1) of Statement 84. (See also Questions 4.41 and 4.42.)



Implementation Guide Q&A (4.8)

Q—A government has determined that an external investment pool meets the criteria to be a component unit. Does the government need to consider whether it controls the assets of the external investment pool in determining whether to report the component unit in its fiduciary fund financial statements?

A—No. Because of the financial accountability guidance established in Statement 14, as amended, for identifying a component unit, the primary government should not consider whether it controls assets of the external investment pool, as set forth in paragraph 9 of Statement 84.



Implementation Guide Q&A (4.13)

Q—As a condition in a construction contract between a school district and a private contractor, the school district retains 10 percent of the amounts billed by the contractor until construction is complete, the facility is code compliant, and all requirements in the contract have been satisfactorily met. Should the school district report the retained amounts in a fiduciary fund?

A—No. Although the control criteria in paragraph 12 of Statement 84 are met because the school district is holding the cash, the school district is holding the cash for its own benefit; as a result, the criteria in paragraph 11c are not met. The unremitted retainage is a liability arising from an exchange transaction between the school district and the contractor.



Implementation Guide Q&A (4.14)

Q—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?

A—Yes. The county is holding the inmate accounts, so the control criteria in paragraph 12 of Statement 84 are met. The assets are not derived from the county’s own-source revenues or from a government-mandated nonexchange transaction or voluntary nonexchange transaction. Moreover, the assets are for the benefit of individuals (the inmates), and the county does not have administrative involvement or direct financial involvement with the assets because the inmates have discretion on how the assets are spent. Finally, although the assets may be used to generate commissary revenue for the county, the assets themselves are not derived from the government’s provision of goods or services to the inmates. (See also Question 4.24.)



Implementation Guide Q&A (4.46)

Q—A municipal water department, an enterprise fund of the city, bills its customers monthly. The bills include a checkbox that allows a customer to voluntarily add one dollar to the amount of the bill for the surrounding county’s social services program. Those donated amounts will be distributed to local residents who qualify for assistance under the program guidelines. The water department maintains a separate cash account for the donations to the county and remits the balance in the account to the county for distribution when the account balance exceeds \$3,000. The water department has determined that the activity is a fiduciary activity. Is the city required to account for the donations to the county in a custodial fund, or would the city be allowed to exercise the exception in paragraph 19 of Statement 84 to recognize the cash and liability in the enterprise fund and report additions and deductions as cash inflows and cash outflows, respectively, in the operating activities category of its statement of cash flows?

A—The city should review the history of the account balance and remittances to the county to determine whether the resources normally have been held for three months or less to determine whether a custodial fund is required. If the resources are normally not held by the city for three months or less, the exception in paragraph 19 of Statement 84 is not applicable





CLAconnect.com

Bhakti Patel

Principal

bhakti.patel@CLAconnect.com

210-298-7895 direct

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