

OFFICE OF THE NEW YORK STATE COMPTROLLER

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To: Chief Fiscal Officers

From: Division of Local Government and School Accountability

Subject: Accounting and Financial Reporting for Fiduciary Activities as Required by GASB Statement 84

Please provide copies of this bulletin to others who may need this information.

Purpose of Bulletin

The purpose of this bulletin is to provide guidance on identifying fiduciary activities for accounting and financial reporting purposes and how local governments and school districts will need to account for and report these activities in the Annual Update Document (AUD) and the ST-3. More specifically, this bulletin will address the following:

- Criteria for identifying fiduciary activities, including a questionnaire to assist local governments and school districts in determining which activities are reported as fiduciary;
- Accounting and reporting requirements for:
 - Fiduciary component units and fiduciary activities for financial statements prepared in accordance with generally accepted accounting principles (GAAP) financial statements; and
 - Fiduciary activities in the AUD and the ST-3.

Background

The Governmental Accounting Standards Board (GASB) issued [Statement No. 84, *Fiduciary Activities*](#) (Statement 84) to provide clearer guidance on identifying fiduciary activities for accounting and reporting purposes. This guidance is intended to enhance the accountability, consistency and comparability of fiduciary activities reported by governments.

¹ Updated language regarding the GASB's decision to delay Statement 84's implementation date and the impact on the AUD/ST-3 reporting has been added on page 2 under Applicability to Local Governments and School Districts in New York State.

Applicability to Local Governments and School Districts in New York State

Statement 84 applies to all local governments and school districts in New York State (NYS).

For local governments and school districts that prepare annual financial statements in accordance with GAAP, Statement 84 reporting requirements are effective for financial statements for fiscal years beginning after December 15, 2019. Local governments that do not complete GAAP-compliant financial statements must implement these new standards for AUD reporting purposes.

For the purposes of the AUD reporting, local governments with a December 31, 2020 fiscal year end will be the first units required to file using the requirements set forth in this bulletin. School districts will be required to file the 2020-2021 fiscal year ST-3 using the requirements set forth in this bulletin.

Accounting and Reporting Requirements

Identifying Fiduciary Activities

There are three types of fiduciary activities defined in Statement 84:

1. Fiduciary component units², which include certain pension and other post-employment benefit (OPEB) arrangements and other component units that are fiduciary;
2. Pension and OPEB arrangements that are not component units; and
3. Other fiduciary activities.

Statement 84 outlines the specific criteria needed to determine which activities are fiduciary in nature. As there are significant changes resulting from this statement for how local governments and school districts will report items currently being reported as fiduciary in nature, it is important that local governments and school districts assess which activities are fiduciary under the new standards. As a result, we have included a questionnaire³ and supplementary guidance to aid local governments and school districts in determining which activities should be reported as fiduciary.

Note: In order to determine if the assets or entity should be reported as fiduciary, local governments and school districts should follow the questionnaire, starting with determining if the entity or assets are a component unit. Applying the criteria in the questionnaire will result in a determination that the assets or entity should be reported in a fiduciary fund, in a governmental fund, as a business-type activity, or not reported at all.

² If an entity meets the component unit criteria as outlined in [GASB Statement 14](#), paragraph 20, as amended by [GASB Statement 61](#), paragraph 4b, then it should be evaluated with respect to the fiduciary activity criteria in [Statement 84](#) paragraphs 6-9. Such entities will be rare among New York's local governments.

³ The questionnaire is a reformatted version of Appendix C in Statement 84.

Fiduciary Activities Questionnaire

#	<u>Question</u>	<u>Yes</u>	<u>No</u>
1.	Is the entity a component unit? ⁴	Go to #2.	Go to #5
2.	Are the assets held for pension or OPEB arrangements?	Go to #3	Go to #6
3.	Is the pension plan or OPEB plan within the scope of other GASB guidance?	Go to #15	Go to #4
4.	Are the assets from entities that are not part of the reporting entity being accumulated for pensions or OPEB that are not administered through trusts that meet the criteria in paragraph 3 of Statements 67 & 74?	Go to #15	Go to #14
5.	Does the government control the assets? ⁵	Go to #9	Go to #13
6.	Are the assets held in a trust or equivalent arrangement and the government itself is <i>not</i> a beneficiary?	Go to #15	Go to #7
7.	Are the assets for the benefit of individuals and the government does <i>not</i> have administrative involvement or direct financial involvement ⁶ ?	Go to #15	Go to #8
8.	Are the assets for the benefit of organizations or other governments that are <i>not</i> part of the financial reporting entity?	Go to #15	Go to #14
9.	Are the assets held for pension or OPEB arrangements? ⁷	Go to #3	Go to #10
10.	Are the assets derived solely from the government's own-source revenue? ⁸	Go to #14	Go to #11
11.	Are the assets derived from government mandated non-exchange transactions or voluntary non-exchange transactions?	Go to #12	Go to #6
12.	Are the assets derived from a pass-through grant for which the government does have administrative involvement or direct financial involvement?	Go to #14	Go to #6
13.	The activity would not be reported.		
14.	The activity would be reported with the governmental or business type activities.		
15.	The activity would be reported in a fiduciary fund.		

⁴ [GASB Statement No. 14](#) establishes the criteria for component units. Statement 84 provides additional guidance in determining if legally separate entities should be considered component units.

⁵ Paragraph 12 of Statement 84 defines 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 specified or intended recipients. Restrictions from legal or other external restraints that stipulate the assets can only be used for a specific purpose do not negate a government's control of the assets.

⁶ Footnote 1 of Statement 84 provides specific examples of a government having administrative involvement.

⁷ While this question is a repeat of Question #2, the conditions to get to Question #9 are different, and, therefore its inclusion is necessary.

⁸ Statement 84 defines own-source revenues as revenues that are generated by a government itself, including exchange and exchange-like revenues (e.g., water and sewer charges) and investment earnings. Derived tax revenues (e.g., sales and income taxes) and imposed nonexchange revenues (e.g., property taxes) are also included.

Reporting Fiduciary Activities in Fiduciary Funds

Once a local government or school district has determined which activities are fiduciary in nature, those activities should be reported in the appropriate fiduciary fund. Statement 84 outlines the four fiduciary funds that should be used by local governments and school districts when reporting fiduciary activities:

Fiduciary Fund Type	Description
Pension and other employee benefit trust funds	<ul style="list-style-type: none">• For pension and OPEB plans that are administered through trusts per GASB Statements 67 and 74, respectively or• For other employee benefit plans where resources are held in a trust⁹ <u>AND</u> contributions to the trust and earnings on those contributions are irrevocable.• Local government and school district pension or OPEB plans will not meet GASB requirements, therefore, these types of funds are not available in the AUD or the ST-3.¹⁰
Investment trust funds	<ul style="list-style-type: none">• For fiduciary activities from the external portion of investment pools and individual investment accounts¹¹ that are held in a trust.¹²• Most local government and school district investment trust funds will not meet GASB requirements, therefore, these types of funds are not available in the AUD or the ST-3.
Private-purpose trust funds	<ul style="list-style-type: none">• For fiduciary funds that are not included in pension and other employee benefit trust funds, or investment trust funds but do meet the criteria in paragraph 11c(1) of Statement 84.
Custodial funds (new)	<ul style="list-style-type: none">• For fiduciary activities that are not required to be reported in pension and other employee benefit trust funds, investment trust funds or private-purpose trust funds.• There is an exception for business-type activities (including enterprise funds) – see the GAAP Reporting section of this accounting bulletin for more specifics.

The custodial fund category is new and replaces what are currently known as agency (TA) funds. However, it is important to note that the criteria for custodial funds is different from agency funds, due to the new GASB definition of a fiduciary activity. Therefore, some former agency activities

⁹ These trusts must meet the criteria of Statement 84, paragraph 11c.

¹⁰ We do not include any further guidance in this accounting bulletin on pension and other employee benefit trust funds and investment trust funds. [Statement 84](#) provides specific guidance on the treatment of these activities.

¹¹ See paragraph 22 of [GASB Statement No. 31](#) for a definition of an individual investment accounts.

¹² These trusts must meet the criteria of Statement 84, paragraph 11c.

will no longer qualify as fiduciary activities. In addition, there are differences in what has to be reported for custodial funds. The major reporting differences between agency funds and custodial funds are:

- Agency funds only required the presentation of assets and liabilities; custodial funds will require the same applicable elements as the other fiduciary funds: assets, deferred inflows and outflows of resources, liabilities and net position.
- Custodial funds require a resource flows statement because they have a measurement focus; agency funds did not require this.

Reporting Fiduciary Component Units

Component units that are fiduciary in nature, based on the criteria noted in the questionnaire above, should be included in the fiduciary funds of the basic financial statements. When reported in the fiduciary fund financial statements of the primary government, a fiduciary component unit should include the combined information of its own component units that are fiduciary in nature and that combined information should be aggregated with the primary government's fiduciary funds.

GAAP Reporting

Business-Type Activities

Statement 84 provides clarifying guidance for local governments reporting fiduciary activities of business-type activities. Specifically, Statement 84 states that business-type activities, including enterprise funds, may report assets with a corresponding liability that otherwise should be reported in a custodial fund in the statement of net position of the business-type activity if those assets, upon receipt, are normally expected to be held for three months or less.

Statement of Fiduciary Net Position

This statement should be used to report the assets, deferred outflows, liabilities, deferred inflows and net position for all fiduciary activities. Statement 84 clarifies with respect to liability recognition that a liability to the beneficiaries should be recognized in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Liabilities other than those to beneficiaries should be recognized in accordance with existing accounting standards using the economic resources measurement focus.

Statement 84 also requires that a business-type activity that chooses to report assets and liabilities in its statement of net position should separately report significant additions and deletions as cash inflows, respectively, in the operating activities category of its statement of cash flows.

Statement of Changes in Fiduciary Net Position

This statement should be used to report additions to and deductions from private-purpose trust funds and custodial funds.

This statement should separately display additions (by source) of the following: investment earnings, investment costs (including investment management fees, custodial fees, and all other significant investment-related costs) and net investment earnings (investment earnings minus investment costs). Similarly, this statement should separately display deductions (by type) and, if applicable, separately display administrative costs too.

There is an exception for reporting a single aggregated total for additions and deductions of custodial funds when resources (upon receipt) are normally expected to be held for three months or less. The descriptions of the aggregated totals of additions and deductions should indicate the nature of the resource flows, such as “collected for other governments” or “distributed to other governments.”

AUD and ST-3 Reporting

As previously stated, local governments and school districts will need to assess activities currently classified as fiduciary to determine if these activities should still be considered fiduciary in nature or if these activities should now be reported in a governmental fund, as a business-type activity or not even reported at all. Additionally, local governments and school districts need to also consider if there are any current unrecorded activities that would now meet the fiduciary activities definition and may now need to be reported.

As a result of Statement 84, the following changes will be made to the AUD and the ST-3:

- Creation of a new Custodial Fund (TC), in place of the Agency Fund (TA), with statements of revenues, expenditures and fund equity.
- The addition of governmental fund account codes for activities that were previously classified as fiduciary in nature.
- The addition of proprietary fund account codes for custodial fund assets that now may be reported in proprietary funds if they are expected to be held for three months or less.¹³

We have also identified several former fiduciary activities which may no longer be classified as fiduciary activities. Local government and school district officials must make the final determination based on their own evaluations to determine how these types of activities should be reported.

- Payroll Clearing Accounts – The most commonly used agency funds for AUD and ST-3 reporting has traditionally been the accumulation of resources from withholding of employee payroll deductions and accrued employer payroll taxes. GASB’s Implementation Guide for Statement 84¹⁴ specifically addresses payroll clearing accounts and concludes that the accumulation of these types of assets will not meet the criteria of a fiduciary

¹³ An appendix detailing the new account codes will be released separately in the near future.

¹⁴ Question 4.15 of the [GASB Implementation Guide No. 2019-2, Fiduciary Activities](#).

activity. As a result, these types of activities will need to be reported in a governmental fund or as a business-type activity.

- Student/Extra-Classroom Activity Funds – These types of funds are a frequently reported fiduciary activity for school districts. Appendix B of Statement 84 notes that some respondents to the exposure draft for fiduciary activities requested that all student activity resources be reported as fiduciary funds.¹⁵ The GASB stated that administration of these types of activities will likely vary across governments and should be evaluated on a case-by-case basis.

GASB’s Implementation Guide for Statement 84¹⁶ provides several examples clarifying that the determining factors for how school districts will report student activity funds will depend on who has administrative or direct financial involvement with these funds and the policies and procedures in place over use of the funds.

Using the criteria established in Statement 84 and the guidance prescribed by the New York State Education Department¹⁷ for the safeguarding, accounting and auditing of extra-classroom activity funds, school district officials will, in many instances, have administrative involvement with these funds. As a result, these funds will likely not meet the criteria required to be reported in a fiduciary fund and will instead need to be reported in a governmental fund.

Lastly, if the amounts held as assets for student activities meet the definitions prescribed for restricted or committed fund balance per [GASB Statement 54](#), they may be reported in a special revenue fund. Otherwise these assets should be included in the general fund.

- Length of Service Award Program (LOSAP) Assets – Statement 84 provided additional clarification on evaluating and reporting of LOSAP assets. LOSAP assets of the employer, which meet the criteria described in Statement 84 and [GASB Statement No. 73](#)¹⁸ of being accumulated for pension purposes, should be reported in governmental or proprietary funds. Specifically, to record LOSAP assets held by the local government, governmental/proprietary fund account code 461 – Service Award Program Assets should be used.

For LOSAP assets held that are not from the employer, they will meet the criteria established in Statement 84 and should be reported as a fiduciary activity in the custodial

¹⁵ Statement 84 – Basis for Conclusions paragraph B21.

¹⁶ Questions 4.16-4.23, 4.26 and 4.28 of the [GASB Implementation Guide No. 2019-2, Fiduciary Activities](#).

¹⁷ <http://www.p12.nysed.gov/mgtserv/documents/ExtraclassroomActivities-January2019reviewed.pdf>.

¹⁸ Paragraphs 10(c) and 116, respectively.

fund. Specifically, to record LOSAP assets not held by the local government, custodial fund account code TC461– Service Award Program Assets should be used.

- Property Taxes Collected for Other Governments – It is common for local governments to collect property taxes on behalf of other local governments. While the criteria in paragraph 11c of Statement 84 should be applied to every circumstance, it is likely that these moneys will meet the fiduciary criteria of paragraph 11c. As a result, these moneys should be recorded in a custodial fund until they are remitted to the local government(s) owed the taxes.

Previously, agency fund activities only required balance sheet entries. Now, however, activities that are reported in the governmental funds will need to also be included in the results of operation (e.g., revenues and expenditures). For example, when recording payroll expenditures in a governmental fund, local governments and school districts will need to record a liability for withholdings and keep the related cash in the governmental fund until those amounts are cleared. While these concepts are not new from an accounting perspective, local governments and school districts need to be mindful of the differences between how assets were previously recorded in an agency fund and how they will now be recorded in a governmental fund.

Additional Information

GASB prepared [Implementation Guide 2019-2, *Fiduciary Activities*](#), to clarify, explain and elaborate on the requirements of Statement 84. This guide addresses many specific examples which local governments and school district may find helpful in making determinations of which assets should be reported as fiduciary in nature. We recommend local governments and school districts use this implementation guide as a tool in determining whether assets meet the fiduciary activities criteria set forth in Statement 84.

If you have questions pertaining to the accounting guidance described in this bulletin, please contact the State Comptroller's [regional office that serves your local government](#).