

GASB Statement No. 84 Fiduciary Activities

Concepts for determining if a student activity fund needs to be reported as a special revenue fund or an agency fund

Who has control of the assets?

- The government holds the assets or directs the use of the assets to the specified or intended recipients.
- This does not include restrictions from a legal restraint (i.e., no alcohol purchases).

Who has administrative authority?

- The assets are for the benefit of individuals. The government itself does not have administrative involvement.
- The assets are administered through a trust in which the government is not a beneficiary. The trust provides benefits to recipients in accordance with terms and is protected from creditors.

The revenue is not derived:

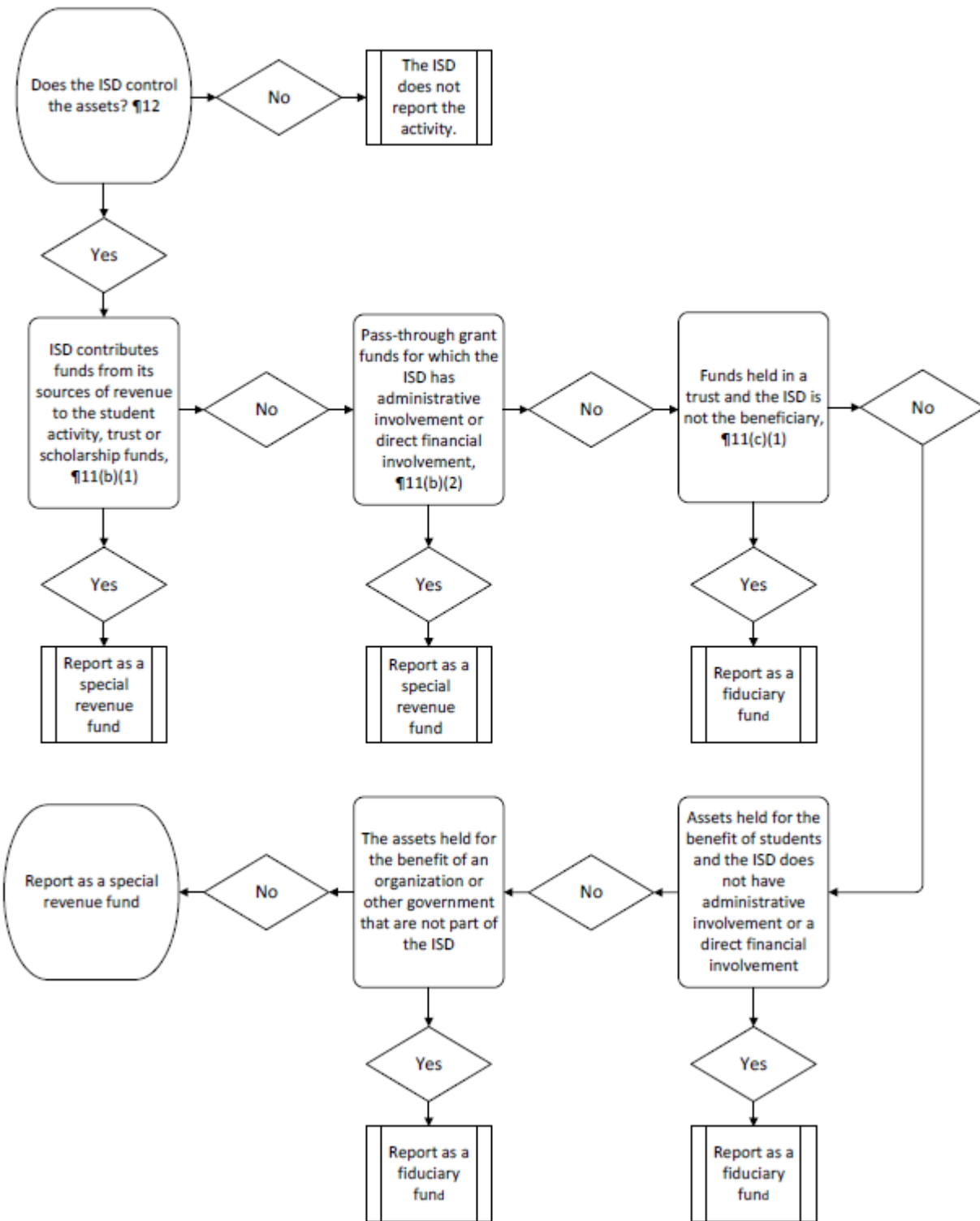
- solely from the government's own-source revenues or
- from government-mandated nonexchange transactions or voluntary nonexchange transactions.

The following examples of activities **do not** constitute administrative involvement by a district:

- monitoring activities of the student activity funds
- restricting fundraising (limiting activities of fundraisers is not administrative control; examples include limiting the number of fundraisers that receive a sales tax exemption; limiting sweet snacks food sales to meet nutrition guidelines, and limiting sales so that there is enough money for other groups to raise funds)
- creating an approved vendor list
- creating separate bank accounts or one bank account – controlling a bank account is not administrative control
- limiting purchases by a teacher, sponsor, and/or school district because they do not comply with district technology systems
- implementing accounting and purchasing controls and procedures
- restricting an item because it is against the law
- conducting a sponsor's review for compliance with law and rule

The following chart can be used to determine if a district reports a student activity, trust, or scholarship fund as a special revenue fund or continues reporting as a fiduciary fund:

Determination for Reclass of Student Activity Fund, Trust Fund, Scholarship Fund



Questions Frequently Asked by School Districts

Is there a recommended/suggested fund number? You had mentioned using fund 465.

Fund 461 will be used if a district determines that a student activity qualifies as a special revenue fund and not a fiduciary activity fund. Fund 465 was discussed. However, through clarification with the GASB, most student activity funds will remain in an 865 fund.

What about employee funded caring and sharing funds, sunshine funds, staff activity funds, etc.? Some districts currently use fund 88X.

These funds need to be scrutinized to determine if they qualify as a governmental fund (special revenue fund) or a fiduciary fund (custodial fund).

Do you have suggestions for scholarships? We have restricted and unrestricted in funds 810 and 816.

Scholarships are generally held as a trust for the benefit of the recipient. Typically, the district is in a custodial role acting as the conduit between the donor and the recipient. If the district's role is different, it should examine the role and determine if there is administrative involvement.

Note: GASB Statement No. 84, ¶17. Private-purpose trust funds are used to 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).

GASB Statement No. 84, ¶11. For activities not addressed in paragraphs 6–10, the activity is a fiduciary activity if all of the following criteria are met:

c. The assets associated with the activity have one or more of the following characteristics:

(1) 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.

How much control can a teacher/sponsor exhibit before it becomes administrative involvement?

The teacher/sponsor does not exhibit administrative involvement over a student activity until the teacher/sponsor exercises complete control over the funds. An example of administrative involvement would be if the student board voted for and approved a purchase and the teacher/sponsor denied the purchase for no apparent reason other than the teacher/sponsor did not want the students to purchase the item. Typically, the control districts exercise over student activity funds is limited to being good stewards of student assets.

If there is no board-level policy but there are district administration rules and procedures, is this still essentially district involvement?

If the district has administrative rules and procedures, there is still district involvement. However, this does not mean that the student activity will be reported as a special revenue fund. Please see the decision-making chart and other FAQs to make that determination.

Can an athletic club charge a fee determined by the district in addition to the student fundraisers?

The charging of a fee determined by the school district is administrative control. Therefore, in this case, the student activity would be moved to fund 461. See Implementation Guidance question 4.18 below for further information.

Can a student council that has the correct criteria to be a fund 865 club partner with a fund 461 activity (ROTC) to donate money to a nonprofit organization?

In this situation, the district does not have administrative control as defined by GASB Statement No. 84. Therefore, such a situation can continue as it did pre-GASB Statement No. 84.

I have a Class of XX fund in an 865 fund to pay for the prom and an incentive program for graduation. Will it meet the criteria for an 865 fund? Banquet halls require a signed contract, which poses a problem.

Certain procedures do not necessarily equal administrative control. For example, in this scenario, signing a contract and processing a payment may not qualify as administrative control. Additional oversight activities need to be examined.

Is it administrative control when an elementary school PTO puts money in a fund 865 for scholarships of seniors who are graduating that went to that school?

Outside organization donations to a scholarship fund for district students do not result in administrative control. The district is encouraged to put donor requirements in place for the money to establish the traditional custodian relationship in which the district is the conduit of the scholarships funds.

What about an 865 hall of honor scholarship? Hall of honor recipients donate money for student scholarships and have their own selection committee. The school just sends the money to the colleges the students are attending.

See the response above.

If a district matches or contributes funds to the student activity fund, does this mean the district has administrative involvement?

Footnote 1 of GASB Statement No. 84 says that a government that matches the resources of student activities has financial involvement and administrative control.

Note: The separation of district control and student control of activities should be strengthened to incorporate the following when determining how to classify activity funds.

- A student group should have bona fide officers. If there are no officers, then it is a campus activity.
- Local district policy needs to state that the student activities and the funds raised are for the benefit of students.

GASB Statement No. 84 Implementation Guidance Q&A

4.17 Q: The chess club of a public high school is established in accordance with the school's operating policies and is not legally separate from the high school. The club fundraising activities are held in a separate bank account in the school's name. In determining whether those resources controlled by the school are a fiduciary activity, are the assets held for the benefit of individuals as addressed in paragraph 11c(2) of Statement 84 (and thus require evaluation of whether the school has administrative involvement or direct financial involvement), or do they benefit an organization as addressed in paragraph 11c(3) of Statement 84 (and thus require evaluation of whether the club is part of the primary government)?

A: Assets are for the benefit of an organization if the benefits accrue to the organization as an institution, rather than to the individuals that constitute the organization. However, in this scenario, because the club is not legally separate from the primary government, it is not itself an institution. As a result, the provisions in paragraph 11c(2) of Statement 84 should be applied.

4.18 Q: A school board is responsible for establishing the fees charged by student clubs to their members. The clubs are not legally separate from the school district. Assuming that the school board has no other policies in place related to the disbursement of funds for various student clubs, does the school district have administrative involvement, as discussed in paragraph 11c(2) of Statement 84?

A: Yes. Footnote 1 of Statement 84 provides examples to consider in determining whether a government has administrative involvement. The establishment of fees related to the generation of funds is analogous from a revenue standpoint to the example provided of determining eligible expenditures. In other words, establishing specific guidelines on how the resources can be spent is analogous to establishing guidelines on the amount at which resources are set. In this scenario, the school board is establishing the amount at which fees are set, and, therefore, the school district does have administrative involvement and the criterion in paragraph 11c(2) of Statement 84 is not met.

4.19 Q: 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 controlled 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. Does the school district have administrative involvement, as discussed in paragraph 11c(2) of Statement 84?

A: No. Footnote 1 of Statement 84 provides examples to consider when determining whether a government has administrative involvement. In assessing whether a government has administrative involvement, a “substance versus form” consideration is appropriate. That is, the government’s role would have substance if the school board, school administrator, or faculty advisor (representative of the school) establishes how the resources can be spent through approved policies. In this scenario, the students (the beneficiaries) are establishing how the resources can be spent, and, therefore, the school district does not have administrative involvement and the criterion in paragraph 11c(2) of Statement 84 is met.

4.20 Q: Assume the same facts as in Question 4.19, except that the parents of the club members establish how the resources can be spent. In that scenario, does the school district have administrative involvement, as discussed in paragraph 11c(2) of Statement 84?

A: No. The school district does not have administrative involvement. The parents of the students (representatives of the beneficiaries) and not the school board, school administrator, or faculty advisor are establishing how the resources can be spent.

4.21 Q: A school district holds the funds raised by various student clubs, which are not legally separate from the school district. The funds are used to pay for various club activities during the year. 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. Does the school district have administrative involvement, as discussed in paragraph 11c(2) of Statement 84?

A: 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.

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?

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.

4.23 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?

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.

4.24 Q: Assume the same facts as in Question 4.22, except that the state establishes specific guidelines on how the resources can be spent through administrative policy. Does the school district have administrative involvement, as discussed in paragraph 11c(2) of Statement 84?

A: Yes. The school district does have administrative involvement. The school district's role is considered to be substantive because the school district is required to follow the specific guidelines established by the state, through legislation or policy, regarding how the resources can be spent.

4.27 Q: The school district traditionally matches all student clubs' funds when a disbursement is approved. In that scenario, does the school district have direct financial involvement, as discussed in paragraph 11c(2) of Statement 84?

A: Yes. The matching of funds provided by the school is a manifestation of direct financial involvement as described in the examples provided in footnote 1 of Statement 84.

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?

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.

Government ABC
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 20X2
(in thousands)

	Pension (and Other Employee Benefit) Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Custodial Funds
ASSETS				
Cash and cash equivalents	\$ 154,351	\$ 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	<u>291,408</u>	<u>12,166</u>	<u>—</u>	<u>206,937</u>
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	<u>41,954,330</u>	<u>1,224,267</u>	<u>769,437</u>	<u>—</u>
Securities lending collateral	1,746,544	—	—	—
Other assets	13,519	181	81,157	361
Total assets	<u>44,190,152</u>	<u>2,077,307</u>	<u>955,341</u>	<u>265,494</u>
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	<u>1,479,007</u>	<u>1,361</u>	<u>69,317</u>	<u>165,652</u>
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	99,642
Total net position	<u>\$ 42,711,145</u>	<u>\$ 2,075,946</u>	<u>\$ 886,024</u>	<u>\$ 99,642</u>

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	\$ 297,646	\$ —	\$ —	\$ —
Employers	1,259,384	—	—	—
Other plans	148,792	—	—	—
Gifts and bequests	—	—	197,258	—
Total contributions	<u>1,705,022</u>	<u>—</u>	<u>197,258</u>	<u>—</u>
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	<u>3,344,931</u>	<u>123,128</u>	<u>64,080</u>	<u>—</u>
Less investment costs:				
Investment activity costs	32,281	50,236	83	—
Securities lending costs	73,642	—	—	—
Net investment earnings	<u>3,239,008</u>	<u>72,892</u>	<u>64,017</u>	<u>—</u>
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	<u>—</u>	<u>113,259</u>	<u>—</u>	<u>—</u>
Sales tax collections for other governments	—	—	—	1,811,120
Miscellaneous	1,130	—	—	1,468
Total additions	<u>4,946,160</u>	<u>186,151</u>	<u>261,275</u>	<u>1,812,568</u>
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	<u>2,256,652</u>	<u>113,259</u>	<u>50,053</u>	<u>1,175</u>
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>