

FIDUCIARY ACTIVITIES – APPLICATION

[GASB 84, *Fiduciary Activities*, issued January 2017, effective for reporting periods beginning after December 15, 2018, earlier application is encouraged.](#)

Provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus is on whether a government is controlling the assets of the fiduciary activity, and the beneficiaries with whom a fiduciary relationship exists.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements (a statement of fiduciary net position and a statement of changes in fiduciary net position).

There are four types of fiduciary funds, namely,

1. Pension (and other employee benefit) trust funds,
2. Investment trust funds,
3. Private-purpose trust funds, and
4. Custodial funds (resources that are not held in a trust or equivalent arrangement).

A government controls the assets of an activity if the government 1) holds the assets or 2) can direct the use, exchange, or employment of the assets in a manner that provides benefits to the specified or intended recipients.

Paragraph 11 of GASB 84 defines other fiduciary activities:

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 (as described in paragraph 12).

b. The assets associated with the activity are *not* derived either:

- (1) Solely from the government's own-source revenues (as described in paragraph 13) or
- (2) 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.

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.
- (2) 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.³ In addition, the assets are *not* derived from the government's provision of goods or services to those individuals.

- (3) 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.

³For purposes of this provision, a government has administrative involvement with the assets if, for example, it (a) monitors compliance with the requirements of the activity that are established by the government or by a resource provider that does not receive the direct benefits of the activity, (b) determines eligible expenditures that are established by the government or by a resource provider that does not receive the direct benefits of the activity, or (c) has the ability to exercise discretion over how assets are allocated. A government has direct financial involvement with the assets if, for example, it provides matching resources for the activities.

Illustrative financial statements of a custodial fund of a school district that provides accounting and treasury services for another other government:

Sample School District
Statement of Fiduciary Net Position
Sample Educational Services Custodial Fund
June 30, 2021

Assets:	
Cash	\$ 330,000
Receivable for other governments	150,000
Other assets	<u>1,000</u>
Total assets	481,000
 Liabilities:	
Accounts payable and other liabilities	2,000
Due to other governments	<u>420,000</u>
Total liabilities	<u>422,000</u>
 Net position:	
Restricted for other governments	<u><u>\$ 59,000</u></u>

Sample School District
Statement of Changes in Fiduciary Net Position
Sample Educational Services Custodial Fund
Year Ended June 30, 2021

Additions:	
Grant collections for other governments	\$ 1,700,000
Investment earnings:	
Interest	2,000
Investment costs	<u>(1,000)</u>
Net investment earnings	<u>1,000</u>
Total additions	1,701,000
 Deductions:	
Grants distributed to other governments	1,650,000
Administrative costs	<u>15,000</u>
Total deductions	<u>1,665,000</u>
Net increase in fiduciary net position	36,000
Net position - beginning	<u>23,000</u>
Net position - ending	<u><u>\$ 59,000</u></u>