MEMORANDUM OSRAP 21-16

TO: Fiscal Officers
    All State Entities

FROM: Lindsay Schexnayder, CPA
      Director, Office of Statewide Reporting and Accounting Policy

SUBJECT: Implementation of Governmental Accounting Standards Board (GASB) Statement 84, Fiduciary Activities

In January 2017 the GASB issued Statement 84, *Fiduciary Activities*, to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement also is intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. GASB 84 describes four types of fiduciary funds that should be reported, if applicable:

1. Pensions and other employee benefit trust funds
2. Investment trust funds
3. Private-purpose trust funds
4. Custodial funds (formerly reported as agency funds)

GASB 84 establishes criteria to determine if activities of a government should be reported as fiduciary. The focus is primarily on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify component units and fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.
A primary government or its component units may be engaged in fiduciary activities as follows:

1. Component Units that are Pension or Other Postemployment Benefit (OPEB) Arrangements
2. Component Units are not Pension or OPEB Arrangements
3. Organizations that are Pension or OPEB Arrangements that are not Component Units
4. Other Organizations that are not Pensions or OPEB Arrangements and that are not Component Units

For activities that are not pension plans or OPEB plans the GASB has provided the criteria for governments or agencies to determine if a fiduciary activity exists. The activity is a fiduciary if the following criteria are met:

- The assets associated with the activity are controlled by the government.
- The assets associated with the activity are not derived either:
  a. Solely from the government’s own-source revenues, or
  b. 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.
- The assets associated with the activity have one or more of the following characteristics:
  a. The assets are (1) administered through a trust in which the government itself is not a beneficiary, (2) dedicated to providing benefits to recipients in accordance with the benefit terms, and (3) legally protected from the 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 and 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 and the assets are not derived from the government’s provision of goods or services to those organizations or other governments.

Business-type activities 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.

A fiduciary component unit that is reported in the fiduciary fund financial statements of a primary government should include the combined information of its own component units that are fiduciary component units. That combined information should be aggregated with the primary government’s fiduciary funds based on the fiduciary fund classifications provided in GASB 84.

The existing agency fund type is eliminated and most of the existing agency funds will now be reported as custodial funds. The custodial funds will be reported as a separate column in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. Since
custodial funds may have a fund balance, Schedule 6 (formerly Miscellaneous Agencies) will be adjusted in the AFR portal for the GASB 84 requirements.

**GASB Statement 95, Postponement of the Effective Dates of Certain Authoritative Guidance,** postponed the effective date of Statement 84 for one year. Statement 84 is now effective for reporting periods beginning after December 15, 2019, which is fiscal year ending 6/30/21 for the State’s CAFR entities or calendar year entities ending 12/31/20. Changes made to comply with this Statement should be treated as prior period adjustments in the period this Statement is first applied. Government-wide and fund financial statements presented for the periods affected should be restated, if practicable. If the information is not readily available to restate all prior years, the cumulative effects of this Statement may be presented by restating beginning net position, or fund balance or fund net position, as applicable, for the earliest period restated.

GASB Statement 84 and the GASB Proposed Implementation Guide on Fiduciary Activities can be found on GASB’s website at the following web address: http://www.gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176160042391. You may contact Ms. Tonia Jackson at (225) 342-8090 or via email at Tonia.Jackson@la.gov with any questions regarding GASB Statement 84.

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