

What New York School Districts Need to Know About GASB 84

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The implementation of Governmental Accounting Standards Board Statement 84, *Fiduciary Activities* (GASB 84), will create challenges and significantly affect the accounting and reporting requirements of most, if not all, school districts. These changes are effective for the year ending June 30, 2021. In this article we will address GASB 84's impact on New York school districts. For information on its impact on New Jersey school districts, [click here](#).

Identifying Fiduciary Activities

GASB 84 establishes specific criteria for identifying fiduciary activities based primarily on whether the school district is controlling the assets of the fiduciary activity and the beneficiaries with which a fiduciary relationship exists. If the activity is not a "fiduciary activity," then it is a "governmental activity." The school district must examine the items it accounts for in its current fiduciary funds and determine if they meet the terms and conditions, as set forth by GASB 84 as well as items currently accounted for in its operating funds that must now be accounted for as a fiduciary activity. Key distinguishing factors of each activity include:

- A *fiduciary activity* greatly limits the amount of control and oversight a school district may exercise.
- A *governmental activity* considers funds as public school funds and subject to the related laws, regulations, Board policies and administrative regulations.

Analysis of "Other Fiduciary Activities"

One of the three types of fiduciary activities that must be analyzed includes a catch-all "other fiduciary activities." This includes payroll withholdings, student activity accounts and scholarship funds. Under the new definitions established by GASB 84, to be recorded as a fiduciary activity, the asset must meet the following three criteria:

- Must be controlled by the school district, such as maintained in a bank account in the school district's name.
- Cannot be derived from revenues generated by the school district, such as real property taxes and fees.
- Cannot be derived from government-mandated or voluntary non-exchange transactions, such as from state aid and grants.

Additionally, the asset must meet any one of the following criteria:

- Held in a qualifying trust for which the school district is not the beneficiary, legally protecting it from creditors and dedicated to providing benefits to recipients;
- Held for the benefit of individuals or groups of individuals (e.g., student activity groups/clubs) without the school district's administrative involvement or direct financial involvement;
- Held for the benefit of an outside organization [e.g., PTA organized as a 501(c) (3)] that is not part of the school district's reporting entity.

Since the school district cannot have administrative or direct financial involvement over the assets, all of the commonly used "other fiduciary activities" (student activity accounts, payroll withholdings and certain scholarships) that currently reside in the fiduciary funds (Private Purpose Trust or Agency Funds) would not meet the new definition of fiduciary type activities, as described by GASB 84, and must be reported in a governmental fund.

The reason for this is that administrative involvement entails monitoring and confirming compliance of the activity based on the school district's policies, determining eligible expenditures or making a decision on the allocation of assets. Currently, most school districts have implemented strict guidelines in accordance with New York State Education Department guidance to safeguard the assets that reside in these funds. Unfortunately, in most cases, these same strict guidelines, oversight and control now prohibit these assets from being classified as fiduciary funds. Consequently, these activities will likely need to be reported in a governmental fund.

Similarly, payroll withholdings are not held for the benefit of individuals or organizations outside of the school district (in essence they are for the benefit of your own employees and, if not remitted to the proper authorities, the school district will be liable) and also would not meet the new definition of fiduciary type activities, as described by GASB 84. Accordingly, these activities must now be reported in a governmental fund. Scholarship funds would need to be held in a qualifying trust as described above in order to be reported in a fiduciary fund. If not, these would also now need to be reported in a governmental fund.

Special Revenue Fund Reporting – Since revenue sources from student activity funds and scholarships are restricted for specific purposes, they should be reported in a special revenue fund.

General Fund Reporting – Payroll withholdings and similar items will be reported in the general fund and any unremitted balances at June 30 will be reported as a liability.

Next Steps

- Identify an activity as fiduciary, then determine the “fund type,” which will drive the reporting. GASB 84 defines four different types of fiduciary funds:
 1. Pension and other employee benefit trust funds
 2. Investment trust funds
 3. Private purpose trust funds, and
 4. Custodial funds

The first three fiduciary funds are existing fund types, as defined by GASB Statement 34. The custodial fund category is new and the traditional agency fund has been eliminated.

- Governments with activities meeting the new criteria of a “fiduciary fund” should present a statement of fiduciary net position that includes assets, deferred outflows, liabilities, deferred inflows and net position of fiduciary activities. A statement of changes in fiduciary net position will also be required and should present activity as additions and deductions to net position and changes in fiduciary net position. After the implementation of GASB 84, the custodial funds will, for the first time, report a statement of changes in net position. The former agency fund type resulted in a balance sheet on which assets always equaled liabilities. In custodial funds, this won't always be the case and there could be net position reported within a custodial fund.

Note that there are two other types of fiduciary activities addressed in GASB 84: certain pension and OPEB (Other Post Employment Benefits) arrangements. However, since New York school districts would rarely meet the criteria for these activities, they are not addressed in this article.

Implementation

Finally, we recommend considering an update to the school district's policies and procedures manual to address the effects of GASB 84 to ensure no policy or procedure is in conflict with this new standard.

As you implement the provisions of GASB 84, you will find it completely changes how New York school districts view the former trust and agency fund, to the point that there may no longer be any activity reported in these fiduciary funds.

Contact Us

If you have any questions or need assistance, please contact your PKF O'Connor Davies' client engagement partner or:

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