


**Accounting and Reporting Update**  
Focusing on GASB Statements 84 & 87  
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School Accountability



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**Objectives – GASB 84 Presentation**

- Provide background on rationale for GASB Statement 84
- Discuss significant accounting changes to commonly reported fiduciary activities
- Highlight resources included in upcoming LGSA accounting bulletin
- Describe planned accounting and reporting requirements for fiduciary activities in the AUD/ST-3
- Answer outstanding questions



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**GASB 84 - Background**

- Purpose – to provide guidance on identifying fiduciary activities for accounting and reporting purposes.
  - Establish specific criteria to use in determining whether a government has a fiduciary responsibility.
- Implementation is designed to enhance accountability, consistency and comparability of fiduciary activities across governments.



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## Identifying Fiduciary Activities

- Statement 84 provides a step-by-step flow chart to help determine which activities are fiduciary in nature.
- We prepared a questionnaire using the same criteria as a more manageable resource to help local governments and school districts make this determination.

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## Key Definitions

- Control
  - A government controls the assets of an activity if the government holds the assets or has the ability to direct the use, exchange, or employment of the assets in a manner that provides benefits to the specified or intended recipients.

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## Key Definitions

- Own-Source Revenues
  - Revenues that are generated by a government itself. They include exchange and exchange-like revenues and investment earnings. Derived tax revenues and imposed nonexchange revenues also are included.

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## Fiduciary Activities Questionnaire Example

A District previously held assets for a hockey team booster club in an agency fund. The assets are:

- Not a component unit
- Held in a District bank account
- Generated solely from outside fundraising
- Not held in a trust
- Administered entirely by the booster club

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## Fiduciary Activities Questionnaire Example

#	Question	Yes	No
1.	Is the entity a component unit?	Go to #2.	Go to #5
5.	Does the government control the assets?	Go to #9	Go to #13

- Does not meet the definition of a component unit
- DOES have control of the assets since they are held in a District bank account

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## Fiduciary Activities Questionnaire Example

9.	Are the assets held for pension or OPEB arrangements?	Go to #3	Go to #10
10.	Are the assets derived solely from the government's own-source revenue?	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

- Not held for pension or OPEB arrangements
- Assets solely derived from booster fundraising

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## Fiduciary Activities Questionnaire Example

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?	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

- Not held in a trust
- Assets are for the benefit of individuals and the assets are administered by the booster club – NOT the district
- District does not contribute – no direct financial involvement

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## Fiduciary Activities Questionnaire Example

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

- In this example, the assets would be reported in a fiduciary fund. Specifically, in a custodial fund, since it is untrusted.
- Every use of the questionnaire will result in a determination of how the assets should be reported.

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## Reporting Fiduciary Activities

### Four Fund Types

- Available for NYS LGs and SDs
  - Private Purpose Trust Funds
  - Custodial Funds (Formerly Agency)
- Not Available for NYS LGs and SDs
  - Pension and Other Employee Benefit Trust Funds
  - Investment Trust Funds

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## Reporting Fiduciary Activities

### Major Changes Between Agency and Custodial Funds

- Agency funds required only the presentation of assets and liabilities, whereas custodial funds require the same elements as the other fiduciary funds.
- Custodial funds will also require a resource flows statement because they have a measurement focus; agency funds did not require this.

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## AUD/ST-3 Reporting

- LGs and SDs 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 reported at all.
- LGs and SDs 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.

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## AUD/ST-3 Reporting

- Expect the following changes to the AUD & the ST-3:
  - The addition of governmental fund account codes for activities that previously were classified as fiduciary in nature.
  - The addition of proprietary fund account codes for custodial fund assets that may be reported in proprietary funds if they are expected to be held for 3 months or less.
  - Creation of a new Custodial Fund, which will replace Agency Fund.
  - The addition of a statement of revenues, a statement of expenditures and fund equity for the newly created Custodial Fund.

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## AUD/ST-3 Reporting

- Payroll Clearing Accounts
  - Implementation Guide 2019-2, *Fiduciary Activities*, clearly indicates they will NOT meet the criteria of a fiduciary activity.
- Student Activity Funds
  - Administrative involvement will be the key criterion for determining if they should be reported as a fiduciary activity.
- Length of Service Award Programs (LOSAP)
  - Reporting will depend on if the assets held are from the employer or other governments or organizations

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## Resources Available to Aid in AUD/ST-3 Implementation

- Original GASB Literature
  - Statement 84, *Fiduciary Activities*
  - Implementation Guide 2019-2, *Fiduciary Activities*
- OSC Accounting Bulletin on Fiduciary Activities
  - March 2020
- Technical Inquiries with the GASB
- Division of Local Government and School Accountability – Professional Standards Unit
  - LGSA\_PSU@osc.ny.gov

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## Tentative Schedule for Implementation

- GAAP-Compliant Financial Statements
  - Should be implemented for reporting periods beginning after December 15, 2018
- AUD/ST-3 Reporting
  - Will NOT be required for FYE December 31, 2019 AUD filers
  - We DO anticipate AUD implementation for FYE filers beginning with FYE's May 31, 2020 and FYE June 30, 2020 for ST-3 filers

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## Objectives – GASB 87 Presentation

- Provide background on rationale for GASB Statement 87
- Discuss the new lease definition, lease term and exceptions
- Describe what you should be doing now to prepare
- Answer outstanding questions

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## GASB 87 – Background

- Effective for fiscal years beginning after **December 15, 2019**
- Creates a single lease model, replacing the former capital vs. operating lease model
- The Statement is based on the foundational principle that leases are financings
  - Provides a new definition of leases
  - Defines what is included in the lease term
  - Lists exceptions

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## New Lease Definition

- A contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction.
  - Conveying control is when the government has the right to:
    - Obtain the present service capacity of the asset and
    - Determine the nature and manner of use of the asset.
  - Examples of nonfinancial assets include land, buildings, vehicles and equipment.

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## Lease Term

- The lease term is the period a lessee has a noncancelable right to use the asset
  - Plus any option to extend or terminate if either party is reasonably certain they will or will not exercise those options

Noncancelable Lease Period	Lessee		Lessor	
	Periods covered by option to extend the lease if reasonably certain lessee will exercise option	Periods covered by option to terminate the lease if reasonably certain lessee will not exercise option	Periods covered by option to extend the lease if reasonably certain lessor will exercise option	Periods covered by option to terminate the lease if reasonably certain lessor will not exercise option
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## Exceptions

- Types of contracts that do not qualify for lease accounting under the new Statement include:
  - A lease with a term of 12 months or less
  - Contracts for intangible assets
  - Licensing contracts
  - Leases of biological assets
  - Leases of inventory
  - Contracts that meet the definition of a service concession arrangement
  - Leases in which the asset is financed with conduit debt, unless both the underlying asset and debt are reported by the lessor
  - Supply contracts, such as power purchase agreements

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## How To Prepare

- Examine all current contracts to determine if they meet the new definition and calculate the term.
  - Contracts not specifically labeled as a lease may meet the new definition of a lease.
- Develop policies and procedures to identify and analyze new leases originating from all government departments.
- Discuss with your CPAs and attorneys for help interpreting and classifying contracts.

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## Questions?

Please email us at: [LGSA\\_PSU@osc.ny.gov](mailto:LGSA_PSU@osc.ny.gov)



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## Thank You



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