

| | |
|--------------------|--|
| DATE: | May 23, 2019 |
| SUBJECT: | GASB Statement No. 84, Fiduciary Activities |
| CATEGORY: | Information and Action by School Districts, ESCs and Governmental Charter Schools |
| NEXT STEPS: | Share with business and finance staff |

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*

The GASB recently released GASB Statement No. 84, Fiduciary Activities, and subsequently released an Exposure Draft Implementation Guide. The Statement may affect how independent school districts, education service centers (ESCs), and governmental charter schools report for any pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial (formerly *agency*) funds. It establishes guidelines for identifying fiduciary activities and determining if these activities should be reported in the governmental funds financial statements (C1/C2) as a special revenue fund. The objective of the Statement is to make fiduciary activity reporting more consistent and comparable and assess the accountability of governments in their roles as fiduciaries through improved usefulness of fiduciary activity information.

Clarification from GASB implies that the intention is not for student activity funds to be reported as special revenue funds. Student activity funds will not meet the guidelines to be reported as a special revenue fund in most usual circumstances. Typically, school districts and governmental charter schools control the assets of student activity groups but do not contribute to the sources of revenue nor exert administrative control as defined in Statement No. 84. Therefore, in most common organizations of student activity groups, student activity funds will remain in fund 865.

The Statement is effective for reporting periods beginning after December 15, 2018 or the fiscal 2019-2020 year.

TEA anticipates two impacts from GASB Statement No. 84. First student activity funds and employer retirement savings plans (403(b) or 457 plan) might be reclassified to special revenue funds. Second, custodial (formerly *agency*) funds will report assets and liabilities and any difference of the assets and liabilities as net position on the statement of fiduciary net position and additions and deductions on the statement of changes in fiduciary net position.

Although the GASB Statement may require student activity funds to be reported as special revenue funds, TEA's opinion is that the funds do not lose their identity as student activity funds and belong to the student groups who raise and spend the funds in accordance with student direction and district and state guidelines. Therefore, rules related to purchasing, sales tax exemption, and budgeting remain as they did before the release of GASB Statement No. 84. Campus Activity funds (fund 461) will continue to follow all state and federal statutes for special revenue funds.

Please see the Accounting Guidance and Frequently Asked Questions on our webpage for more information about the accounting and reporting of GASB Statement No. 84.

<https://tea.texas.gov/WorkArea/DownloadAsset.aspx?id=51539629913>.

Email schoolaudits@tea.texas.gov or financialaccountability@tea.texas.gov with any questions.