

**Illinois Community College
Chief Financial Officers
Spring 2017 Conference
GASB Statement No 84,
*Fiduciary Activities***

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How will GASB Statement No. 84, *Fiduciary Activities*, impact my College?

FIDUCIARY ACTIVITIES

- Defines what activities qualify as fiduciary activities
 - › Also defines what are not fiduciary activities
- Defines what funds to use to report fiduciary activities
- Changes how we report fiduciary funds
 - › Significant changes for governments that report using the Business-Type Activity model
 - › Significant changes to how we report activities in what used to be classified as agency funds

GASB Statement No. 84, *Fiduciary Activities*

- Added to technical plan in 2010 as fiduciary activities were never defined in the authoritative literature
- Added to technical agenda in 2013 after initial research
- Preliminary Views (PV) issued in November 2014
 - › Field tested PV with prepares, three Illinois governments participated
- Exposure Draft (ED) issued in December 2015
- Statement 84 issued in January 2017
 - › Effective for fiscal years ending December 31, 2019 and thereafter
 - › June 30, 2020 for community colleges in Illinois

FIDUCIARY COMPONENT UNITS

- Pension plan administered through a trust that meets the criteria of paragraph 3 of GASB S-67
- OPEB plan administered through a trust that meets the criteria of paragraph 3 of GASB S-74
 - Contributions from **employers** and non-employer contributing entities to the pension/OPEB Plan and earnings on those contributions are irrevocable
 - Pension/OPEB Plan assets are dedicated to providing pensions to **plan members** in accordance with the benefit terms
 - Pension/OPEB Plan assets are legally protected from the creditors of employers
 - Applies to defined benefit and defined contribution plans

FIDUCIARY COMPONENT UNITS

- Defined in GASB S-14 as amended by GASB S-61, *The Financial Reporting Entity*
 - Legally separate Pension/OPEB Plans
 - Primary government (College or State of Illinois) has a financial burden if legally obligated to or has otherwise assumed the obligation to make contributions to the plan
 - Meets the definition of a component unit

FIDUCIARY COMPONENT UNITS

- Other fiduciary component units
(Non-Pension/OPEB Plans)
 - Assets are administered through a trust or equivalent agreement in which the government is not a beneficiary
 - Assets dedicated to providing benefits to recipients in accordance with benefit terms
 - Assets legally protected from the creditors of the government
 - Government does not have administrative or direct financial involvement with the assets
 - Assets are for the benefit of organizations or other governments that are not part of the reporting entity

OTHER FIDUCIARY ACTIVITIES

- Other activities that meet all of the following criteria are fiduciary activities
 - The assets associated with the activity are controlled by the government
 - The assets associated with the activity are not derived either:
 - Solely from the governments own source revenues, or
 - From government mandated or voluntary non-exchange transactions except for pass through grants
 - The assets are administered through a trust in which the government itself is not a beneficiary, are dedicated to providing benefits to recipients in accordance with benefit terms and are legally protected from the creditors of the government

OTHER FIDUCIARY ACTIVITIES

- Other activities that meet all of the following criteria are fiduciary activities (Continued)
 - The assets are for the benefit of individuals and the government does not administrative involvement or direct financial involvement with the assets
 - The assets are not derived from the governments provision of goods or services to those individuals
 - The assets are for the benefit of organizations or other governments that are not part of the reporting entity

OTHER FIDUCIARY ACTIVITIES

- Control of assets
 - The government holds the assets or has the ability to direct the use of the assets
- Own source revenue
 - Revenues generated by the government itself either through exchange or non-exchange transactions
 - Tuition and fees are own source revenues from exchange transactions

REPORTING FIDUCIARY ACTIVITIES

- If the activity meets these definitions the fiduciary activity should be reported in the fiduciary fund financial statements of the basic financial statements
- If the activity does not meet these definitions the activity is not a fiduciary activity and instead should be reported in the governments basic financial statements
 - Part of the education subfund or a similar subfund

REPORTING FIDUCIARY ACTIVITIES

- Pension or OPEB Fund
- Investment trust fund (e.g., Illinois Funds)
- Private purpose trust fund
 - Assets held in trust but do not meet the definition of an investment trust fund or Pension/OPEB Trust Fund
- Custodial funds (replace agency funds)
 - Fiduciary activities not meeting the definition of the other fiduciary funds

REPORTING FIDUCIARY ACTIVITIES

- Statement of net position
 - Custodial funds report net position, not assets = liabilities as with previous agency funds
- Statement of changes in net position required for all fiduciary funds, including custodial funds

REPORTING FIDUCIARY ACTIVITIES

- Business type activity (BTA) reporting of custodial funds
 - If the asset is held for three months or less, it can report as an asset and liability only in the BTA fund
 - Significant activity reported on statement of cash flows
 - Otherwise report as separate fiduciary funds
 - Not reported as part of the BTA fund, but rather as separate fiduciary funds on separate statements

ICCB FISCAL MANAGEMENT MANUAL

- Fund 10 Trust and Agency Fund
 - Section 3-27c of the Public Community College Act
 - Used to receive and hold funds when the College serves as a custodian or fiscal agent for another body
 - College has an agency rather than a beneficial interest in these monies
 - College club monies, for example, should be accounted for in this fund

ICCB FISCAL MANAGEMENT MANUAL

- Reporting Fund 10 Trust and Agency Fund
 - Currently reported as a subfund of the BTA model
 - Funds held reported as assets, offset by liability due to others
 - No impact on net position or changes in net position

IMPACT OF GASB STATEMENT NO. 84

- Many activities currently reported in Fund 10 will no longer qualify for reporting in that fund
 - Activities funded with student activity fees or other sole source revenue generated by the College will not meet the definition of fiduciary activities and can not be reported in Fund 10
 - These activities would probably be reported in the education subfund or a similar subfund
 - The assets would be reported as net position, not offset by a liability

IMPACT OF GASB STATEMENT NO. 84

- Activities that would qualify for reporting in Fund 10 would no longer be “blended” or “consolidated” with the other subfunds of the College
 - Instead fiduciary fund financial statements would be presented including a statement of financial position and a statement of changes in financial position, separate from the College’s BTA financial statements
 - Funds held not offset by liabilities unless due and payable
 - Existing liabilities would be reclassified to unrestricted equity funds held not offset by liabilities unless due and payable
 - Impact on materiality and audit costs

GASB Statement No. 75

- Recording the net OPEB liability for CCHIP
 - › Similar to GASB S-68
 - › Record in accrual basis financial statements
 - › Allocate among employers/non-employer contributing entity's based on proportionate share of contributions
 - › Unlike SURS and GASB S-68, Colleges will probably report a proportionate share of the CCHIP net OPEB liability
 - › May be a 50/50 split with the State
 - › Net OPEB liability \$1.7 billion at last measurement date (6/30/14) measured in accordance with GASB S-45

QUESTIONS?

