



May 21, 2021

TO: Business and Accounting Administrators
Los Angeles County K-12 School, Charter Schools,
Joint Powers Authorities (JPAs), and
Regional Occupational Centers/Programs (ROC/Ps)

FROM: Sachiko Enomoto, School Accounting and Finance Manager
Accounting and Financial Services
Division of School Financial Services (SFS)

SUBJECT: Governmental Accounting Standards Board (GASB) Statement No. 84 –
Fiduciary Activities

The Governmental Accounting Standard Board Statement No. 84 (GASB 84) was issued in January 2017, and is effective Fiscal Year (FY) 2020-21. The requirements were established to improve identification of fiduciary activity reporting by state and local governments. This bulletin contains the California Department of Education (CDE) guidance on identifying fiduciary activities, sample activities, and how reporting requirements in the FY 2020-21 Unaudited Actuals, and Audited Financial Statements will be affected.

Effective FY 2020-21, it is required to report balances in Funds 76 and 95 in the FY 2020-21 Unaudited Actuals to the CDE. See attachment for more details.

Resources

Please see below the following resources your District can utilize:

[Statement No. GASB 84 of the Governmental Accounting Standards Board](#)
[GASB 84 Implementation Guide No. 2019-2, Fiduciary Activities](#)
[SACS Forum Discussion on GASB Statement 84](#)
[California School Accounting Manual \(CSAM\)](#)

We recommend Districts consult your external auditors with any specific questions on GASB 84 reporting.

Download SFS Bulletins from LACOE Website

This bulletin may be downloaded from the LACOE website here:

<https://www.lacoe.edu/Bulletins.aspx>

Use the “Search” box in the Bulletins section to locate a specific bulletin by number or keyword.

Should you have any questions related to this bulletin, please contact me at (562) 922-6191 or email Enomoto_Sachiko@lacoe.edu.

Approved by:
Nkeiruka Benson, Director
Division of School Financial Services

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Attachment

SFS-A62-2020-2021

Attachment Fiduciary Activities

Identifying Fiduciary Activities

There are three types and four paths to determine Fiduciary Activities:

1. Fiduciary component units, including Pension and Other Postemployment Benefit (OPEB) arrangements- *Path 1* (GASB 84, paragraph 6) and *Path 2* (GASB 84, paragraph 8)
2. Pension and OPEB arrangements - *Path 3* (GASB 84, paragraph 10)
3. Other fiduciary activities - *Path 4* (GASB 84, paragraph 11): Includes custodial funds, which are in Funds 76 and 95

Please reference the GASB No. 84 statement [here](#) for more details on each of the above mentioned types and paths to identifying fiduciary activities.

Samples Activities

This section contains a few common activities Districts may have questions about determining whether an activity is considered fiduciary or not.

1. **Cash Conduit**

See definition in [California School Accounting Manual \(CSAM\) Procedure 750-Pass-Through and Cooperative Projects](#)

If a District transfers pass-through grants to a sub-recipient and the District has no administrative or direct financial involvement, the District will act as the Cash Conduit. This activity meets all three criteria of GASB 84, paragraph [11.a](#) through [11.c](#), therefore would be fiduciary.

Example of Cash Conduit:

District XY serves as pass-through in order to transfer funding sources, such as State Lottery apportionment, to a charter school that is locally funded but otherwise not part of the District. This would be considered fiduciary. This is consistent with the existing guidance in *CSAM, Procedure 750*. It is noted that pass-through transactions that are purely cash conduits are not common.

2. **Associated Student Body Organizations (ASBs)**

For **unorganized ASBs**, CDE has concluded that most unorganized ASB activities in California School Districts are not fiduciary because they do not appear to meet the criteria established by GASB 84, paragraph [11\(c\)\(2\)](#).

Per CDE, in order for the funds to be considered fiduciary, if the funds held by the School District benefits its own students, the District should not have administrative or direct financial involvement. However, State statute requires Districts to have administrative involvement in unorganized ASB's activities, which require an appointed employee or official designated by the District's governing board to have ability to approve, disapprove or modify expenditures. Therefore, this won't meet the criteria and will not be fiduciary.

For **organized ASBs**, CDE has a similar conclusion as noted for unorganized ASBs. However, it is recommended Districts should carefully determine whether the District has administrative involvement for organized ASBs. It is common for students to be more involved in the organized ASB management and decision making. Therefore, the District staff may not have the authority to disapprove or modify expenditures. If the District staff does not have authority to do so, it may be considered fiduciary.

See CSAM [Procedure 750](#) for definition of administrative involvement and direct financial involvement. In GASB 84 [Implementation Guide No. 2019-2, Fiduciary Activities](#), questions 4.16 through 4.23, 4.26, 4.28 and 4.32 addresses common questions related to student activities.

New Fund (08)

CDE recommends that Districts review policies and procedures for each ASB activity or club to determine whether they meet the definition for fiduciary activity in accordance with GASB 84.

- ASB activities that meet the definition can be reported in Fund 95, Student Body Fund.
- ASB activities that do not meet the definition should be reported in a governmental fund, in Fund 08 or the general fund.

Fund 08, Student Activity Special Revenue Fund, a new special revenue fund was established in the prior year's SACS 2020 software. CDE established this fund to account for the student body activity funds that do not meet the fiduciary definition.

A few key notes for the use of Fund 08 per CDE:

1. The use of fund 08 is optional. However, if Fund 08 is used, the expenditures should be recorded in Function 4000, Ancillary Services, or in the appropriate optional Ancillary Service functions, with the required goal and appropriate object codes.
2. Additionally, Resource 8210, Student Activity Funds, was established and required for the purposes of reporting governmental student body activities. Resource 8210 is open to use with Funds 01, 08, 09 and 62.
3. Expenditures for government ASB activities reported in Fund 08 will not be included in the District's reserve for economic uncertainties calculation. This is because the calculation is based on general fund expenditures only. If a District would like to include their expenditures for the reserve calculation, it should be reported in the general fund.
4. The indirect cost rate calculation (form ICR) has been revised to include Fund 08 expenditures.

In order to request the new fund set up, send a signed board resolution, along with a letter on the school district's letterhead signed by an authorized signatory stating the following:

1. The fund you are requesting to be set-up
2. Description or title of the fund (not to exceed 30 characters)
3. Reason for the request to set up the fund

Please send the request to Christina Huang via email at Huang_Christina@laoe.edu.

3. **Contract Retainage**

Per CDE guidance, for retainage of constructions contracts, due to the District holding the retainage for its own benefit, District's should not report the retained amounts in a fiduciary fund.

4. **Payroll and Warrant Clearing Accounts**

In previous years, the Payroll Clearing Account was used to accumulate employee's payroll withholding and accrue employer payroll taxes. Effective FY 2020-21, pursuant to GASB 84, Districts should not report these funds in this clearing account (Fund 76) , a fiduciary fund, because the District is holding the funds for its own benefit, in other words, for its own employees.

The unremitted amount should be recorded as a liability in the District's books. Please see guidance in the *Reporting in the FY 2020-21 Unaudited Actuals and Audited Financial Statements* section below.

Example to Reclassify Fund 76 balances at Year End: A district has a remaining ending balance total of \$10,000 of various payroll withholding in Fund 76 at the end of the fiscal year. The District should complete a reclassifying journal entry to move the remaining balance to the general fund or to another appropriate fund.

The original entry recorded in Fund 76 with remaining balance of \$10,000 as of June 30, 2021.

Fund	Object Code	Debit	Credit
76	Object 9110 – Cash	\$10,000	
76	Object 9512 – CA State Income Tax		\$500
76	Object 9513 – OASDI Liability		\$500
76	Object 9514 – CALSTRS Liability		\$4,000
76	Object 9515 – CALPERS Liability		\$4,000
76	Object 9517 – Other Voluntary Deductions		\$1,000

Reclassify the Fund 76 balance to the general fund (Fund 01) or another appropriate fund.

Fund	Object Code	Debit	Credit
76	Object 9512 – CA State Income Tax	\$500	
76	Object 9513 – OASDI Liability	\$500	
76	Object 9514 – CALSTRS Liability	\$4,000	
76	Object 9515 – CALPERS Liability	\$4,000	
76	Object 9517 – Other Voluntary Deductions	\$1,000	
76	Object 9110 – Cash		\$10,000
01	Object 9110 – Cash	\$10,000	
01	Object 9512 – CA State Income Tax		\$500
01	Object 9513 – OASDI Liability		\$500
01	Object 9514 – CALSTRS Liability		\$4,000
01	Object 9515 – CALPERS Liability		\$4,000
01	Object 9517 – Other Voluntary Deductions		\$1,000

Reporting in the FY 2020-21 Unaudited Actuals and Audited Financial Statements

FY 2020-21 Unaudited Actuals

As noted earlier, it is required to report Fund 76 and 95 in the FY 2020-21 Unaudited Actuals to CDE. Currently, Districts may have non-fiduciary activities being reported in fiduciary funds that should be reported elsewhere, namely in Fund 76 and Fund 95. Districts should ensure that these funds are reconciled to properly report them.

Please note that payroll withholding transactions are still booked in District's books in Fund 76 during FY 2020-21 in LACOE's financial systems. Districts should reconcile the fund and complete reclassification of funds that are not considered fiduciary to the general fund or another appropriate fund. Any necessary entries to the appropriate funds should be completed before the year-end adjusting period (PSFS & BEST-FIN – August 13, 2021) closes.

Similarly, for Fund 95, funds should be reconciled, and for any funds that have been identified as non-fiduciary Districts should complete reclassifications of funds to the appropriate funds (*i.e. Fund 08 or general fund*).

Financial Reporting for Fiduciary Activities

Once the District identifies the fiduciary activities, they should be reported in the following fiduciary fund types:

Fund Type	SACS Fund
Pension and other employee benefit trust funds*	Fund 71 – Retiree Benefit Fund
Private-purpose trust funds*	Fund 73 – Foundation Private-Purpose Trust Fund
Custodial funds	Fund 76 – Warrant/ Pass-Through Fund Fund 95 – Student Body Fund

**Trust agreements must be present if funds are being reported in these funds. If not held in trust, District should record in a custodial fund (Fund 76 or 95)*

Restatement of the Beginning Fund Balance

Funds 76, 95 and newly established Fund 08 will require restating the beginning fund balances. This should be completed by using Object Code 9795, Other Restatements. Object Code 9791, Beginning Fund Balance must be zero to ensure matching of previous fiscal year ending balance. If it is not zero, it will result in a fatal Technical Review Check (TRC) exception. Below is an example of entries to restate Fund 76 Beginning Balance.

Please note per *CSAM Procedure 215 – Audit Adjustments*, before posting any items to Object 9795, Districts should consult with their independent auditors.

Example to Restate the Fund 76 Beginning Balance:

Scenario: District has determined that there are \$50,000 recorded in the general fund (Fund 01) in FY 2019-20 that are considered fiduciary. District will need to restate the beginning balance using Object 9795 in Fund 76. In this example, assume the Fund 01 liability balance was already distributed in the beginning of FY 2020-21.

FY 2019-20 balance in the general fund (Fund 01):

Fund	Type of Account/Object Code	Debit	Credit
01	9110 – Cash	\$50,000	
01	9620 – Due to Other Groups		\$50,000

Scenario a: If the liability was recognized during FY 2019-20:

1. FY 2020-21 Entry: Record entry of \$50,000 in Fund 76. Beginning fund balances should be restated using Object 9795. The Object 9795 balances would net to \$0 here. Note that the Object 9795 entry will not be necessary for Fund 01 restatement in this example, as it did not affect revenue or expense accounts.*

Fund	Type of Account/Object Code	Debit	Credit
76	Object 9110 – Cash	\$50,000	
76	Object 9795 – Other Restatements		\$50,000
76	Object 9795 – Other Restatements	\$50,000	
76	Object 9620 – Due to Other Groups		\$50,000

2. FY 2020-21 entry to show distributions of funds to have an appropriate FY 2020-21 ending balance.*

Fund	Type of Account/Object Code	Debit	Credit
76	Object 9620 – Due to Other Groups	\$50,000	
76	Object 9110 – Cash		\$50,000

**Although these entries will net to zero, Districts should consult with their external auditors to determine if the entries should be completed.*

Scenario b: If the liability was recognized in FY 2020-21:

1. Record entry of \$50,000 in Fund 76. Beginning fund balances should be restated using Object 9795. In this scenario, since liability was recognized in FY 2020-21, only the revenue will be recorded in Object 9795.

Fund	Type of Account/Object Code	Debit	Credit
76	Object 9110 – Cash	\$50,000	
76	Object 9795 – Other Restatements		\$50,000

2. Record entry of the liability and expense in FY 2020-21:

Fund	Type of Account/Object Code	Debit	Credit
76	Object 7500 – Funds Distributed to Others	\$50,000	
76	Object 9620 – Due to Other Groups		\$50,000

3. Reverse the liability to show distribution of the funds in FY 2020-21:

Fund	Type of Account/Object Code	Debit	Credit
76	Object 9620 – Due to Other Groups	\$50,000	
76	Object 9110 – Cash		\$50,000

FY 2020-21 Audited Financial Statements

Effective FY 2020-21, for any custodial funds, pursuant to GASB 84, a statement of changes in fiduciary net position reflecting additions and deductions is now required. The reporting requirement of the statement of fiduciary net position reflecting the balance sheet (assets, deferred in/outflow, liabilities) remains the same. There were two new object codes established in order to assist in the preparation of the statement of changes in fiduciary net position. Please see below, *Changes in Liability Recognition* for more details.

Changes in Liability Recognition – New Object Codes Established

CDE guidance notes that pursuant to GASB 84, any fiduciary fund liabilities should only be recognized when the disbursement is expensed. Prior to GASB 84, Districts were allowed to immediately recognize the asset and the liability at the same time.

There are two new object codes that have been established in order to record such balances. Please note that these balances should only be used in Funds 76 and 95:

1. Object Code 8800, Funds Collected for Others
2. Object Code 7500, Funds Distributed to Others

Example: A District is holding scholarship donations on behalf of a student body group that is considered fiduciary and the funds meet the definition of custodial funds.

Prior to GASB 84 entry, the District recorded directly as a liability simultaneously as when the cash was received:

Object Code	Debit	Credit
Object 9110 – Cash	\$10,000	
Object 9620 – Due to Student Groups/Other Agencies		\$10,000

1. ***Pursuant to GASB 84*** as of FY 2020-21 reporting, the District should not recognize the funds received immediately as a liability, however revenue should be recognized:

Object Code	Debit	Credit
Object 9110 – Cash	\$10,000	
Object 8800 – Funds Collected for Others		\$10,000

2. Determination whether a liability will be recorded:
 - a. A liability will be recorded if scholarship recipients have been identified and the payment will be made after the recipients have been identified.

Object Code	Debit	Credit
Object 7500 – Funds Distributed to Others	\$10,000	
Object 9620 – Due to Student Groups/Other Agencies		\$10,000

- b. If the payments are made at the same time when the scholarship recipients are identified, the cash should be credited. This is most likely a rare occurrence.

Object Code	Debit	Credit
Object 7500 – Funds Distributed to Others	\$10,000	
Object 9110 – Cash		\$10,000

3. If #2a entry was created, when funds are being disbursed to the scholarship recipient, the cash and the liability should be reversed:

Object Code	Debit	Credit
Object 9620 – Due to Student Groups/Other Agencies	\$10,000	
Object 9110 – Cash		\$10,000