

## **GASB 84 and its Impact on Associated Student Body Accounts**

This fiscal alert addresses the impact to associated student body (ASB) accounts resulting from Governmental Accounting Standards Board (GASB) Statement No. 84 (Statement), Fiduciary Activities. This guidance is provided in response to questions from county offices of education and school districts throughout California, and has been addressed by the California Department of Education's School Fiscal Services Division at numerous statewide meetings, including recent Standardized Account Code Structure (SACS) forums. This alert includes local education agency (LEA) considerations and practical applications to help LEAs conform with the provisions of the Statement. It should be considered analysis rather than legal advice, and all LEAs are encouraged to seek additional guidance from their external auditors.

### **Background**

As outlined by GASB, Statement No. 84 was issued to provide guidance for identifying fiduciary activities for accounting and financial reporting purposes, as well as how those activities should be reported.

As indicated in the Statement's summary:

The Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

The Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds.

### **FCMAT**

Michael H. Fine  
Chief Executive Officer

1300 17<sup>th</sup> Street - CITY CENTRE  
Bakersfield, CA 93301-4533  
Telephone 661-636-4611  
Fax 661-636-4647

755 Baywood Drive,  
Second Floor  
Petaluma, CA 94954  
Telephone 707-775-2850  
[www.fcmat.org](http://www.fcmat.org)

Administrative Agent  
Mary C. Barlow  
Office of Kern County  
Superintendent of Schools

Custodial funds [**such as student body accounts**] generally should report fiduciary activities that are not held in a trust or under an equivalent arrangement that meets specific criteria.

Also according to the Statement:

A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds.

As further indicated in the Statement itself, the purpose of GASB 84 is to improve reporting:

The requirements of the Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial statements for assessing government accountability and stewardship.

The Statement became effective for the 2019-20 fiscal year; however, in March 2020 GASB proposed postponing the implementation of all recent statement and implementation guide provisions, including Statement No. 84. Due to the closure of many state and local government offices resulting from the COVID-19 pandemic, many government officials do not have access to the information needed to implement new GASB pronouncements. The Governmental Accounting Standards Board subsequently issued an exposure draft (in April 2020) proposing a one-year delay in implementation. Final guidance following public comment is expected in the near future.

Despite the potential delay, FCMAT is issuing the following guidance to allow LEAs to begin, or continue, preparations to implement the Statement's provisions related to ASB.

## Relevant Issues

Determining whether ASB funds meet the definition of "fiduciary" within the provisions of Statement No. 84 is paramount. Paragraph 11.c. of the Statement states, "the activity is a fiduciary activity if...the assets are for the benefit of individuals and the government does *not* have administrative involvement with the assets or direct financial involvement with the assets." Because a lack of "administrative involvement" is necessary for an activity to qualify as fiduciary, it is likely that all ASBs in California will be considered nonfiduciary.

Unorganized ASBs are typically those in elementary schools, adult education programs, continuation schools, special education programs, regional occupational programs (ROPs) and K-8 schools. Although students in unorganized ASBs raise funds, they usually have more limited involvement in making decisions about fundraising events and how the funds are to be spent. The governing board may delegate its authority to oversee the raising and spending of funds to the principal or other school administrator or employee,

who is authorized to make all decisions related to ASB operations and funds. As such, there is considerable administrative involvement in an unorganized ASB.

In organized ASBs in middle schools, high schools and community colleges, the students retain substantially more control over their activities and funds, with oversight by district administrators and advisors. Students in organized ASBs are primarily responsible for their organizations, with the student council and student club leaders holding formal meetings, developing budgets, planning fundraisers, and approving payments, with district co-approval (including via board designees and certificated advisors).

Although students in an organized ASB have primary authority over the use of their funds, the school administrator(s) and club advisor(s) assist, advise and co-approve student decisions. Considerably less administrative involvement exists than in unorganized ASBs; however, the LEA must still co-approve all expenditures of the student body. Specifically, Education Code Section 48933(b) states the following:

The funds shall be expended subject to such procedure as may be established by the student body organization subject to the approval of each of the following three persons, which shall be obtained each time before any of the funds may be expended: an employee or official of the school district designated by the governing board, the certificated employee who is the designated adviser of the particular student body organization, and a representative of the particular student body organization.

In addition, in both an organized and unorganized ASB, students receive approval from the governing board to conduct all fundraising activities. Education Code Section 48932 states:

The governing board of any school district may authorize any organization composed entirely of pupils attending the schools of the district to maintain such activities, including fund-raising activities, as may be approved by the governing board.

The governing board of any school district may, by resolution, authorize any student body organization to conduct fund-raising activities on school property during school hours provided that the governing board has determined that such activities will not interfere with the normal conduct of the schools.

Accordingly, both organized and unorganized ASBs should be considered nonfiduciary for the purposes of Statement No. 84. Even scholarship or memorial accounts within an ASB are subject to the same administrative oversight and approval processes as other ASB funds, with additional criteria for administering these funds. Where potential exceptions may exist, such as for scholarship or memorial accounts that are outside of ASB and are administered by the district, FCMAT recommends consulting with the district's external auditors or legal counsel for a more definitive determination.

## Reporting Requirements

Although it is unlikely a district would have an ASB that meets the definition of fiduciary under Statement No. 84, such an account would continue to be reported in Fund 95 as a student body fund. Otherwise, all ASB accounts that do not meet the definition of fiduciary are considered governmental activities and should be reported in a governmental fund.

Local education agencies will have two reporting options for nonfiduciary ASBs: using either a new special reserve fund or the general fund.

### 1. Reporting in a special reserve fund (Fund 08)

LEAs have the option of establishing a special reserve fund, Fund 08, to record ASB activity that is determined to be governmental rather than fiduciary. According to the California Department of Education's School Fiscal Services Division, the new special reserve fund will have the following characteristics:

- The fund is intended for use by county offices of education, school districts, and charter schools.
- The indirect cost rate calculation will be revised to include Fund 08 expenditures, as indirect costs may be an allowable ASB expenditure.

FCMAT recommends that LEAs that intend to use this option seek adoption of a board resolution to formally establish the fund.

### 2. Reporting in the general fund

Alternatively, LEAs may choose to report nonfiduciary activity within the general fund, using coding specific to ASB activity as identified below.

Regardless of the reporting option chosen, a new restricted resource has been established for reporting and tracking nonfiduciary ASB activity. The resource, titled Student Activity Funds (8210), will be mandatory for both options, with a range of resources from 8201 through 8299 reserved for local use to allow LEAs to track specific ASB activities. The resource will be open to Fund 01, Fund 08, Fund 09 (charter schools special reserve fund), and Fund 62 (charter schools enterprise fund), and will be excluded from the minimum classroom compensation calculation.

## Other Considerations

Some LEAs may choose to begin recording all ASB transactions directly in the LEA's financial system, although the use of a separate electronic or manual ASB bookkeeping system may continue if desired. In some instances, LEAs may choose to record ASB activity within an existing account, such as a school site budget account, and track the activity using ASB-specific coding. It is important, however, that any activity be periodically recorded or imported into the LEA's financial system, either into the special reserve fund or the general fund. Each LEA will need to determine if this is accomplished through an ongoing process, or if ending balances are imported only at year end. When a separate

ASB system and/or bank account is used, the transaction detail and frequency of importing data into the LEA's financial system will vary depending on the financial systems involved, the size of the ASB, available LEA resources, technological capabilities, and so on.

Some LEAs, especially those with smaller student body accounts, may also choose to move ASB funds to their county treasurer rather than maintain the funds in a separate bank account. However, the use of a local bank is still permissible and may continue if the LEA allows it.

## **Conclusion**

Each LEA will need to determine how best to record their ASB activity within the guidelines of GASB Statement No. 84. Although there is a potential delay in the reporting requirements, GASB continues to encourage early implementation regardless of whether an LEA's 2019-20 annual independent audit will require this new reporting. If questions arise regarding fiduciary versus nonfiduciary activities or the new reporting requirements under Statement No. 84, FCMAT recommends an LEA consult with its external auditors or legal counsel.

The entire text of the GASB Statement No. 84 can be found [here](#).