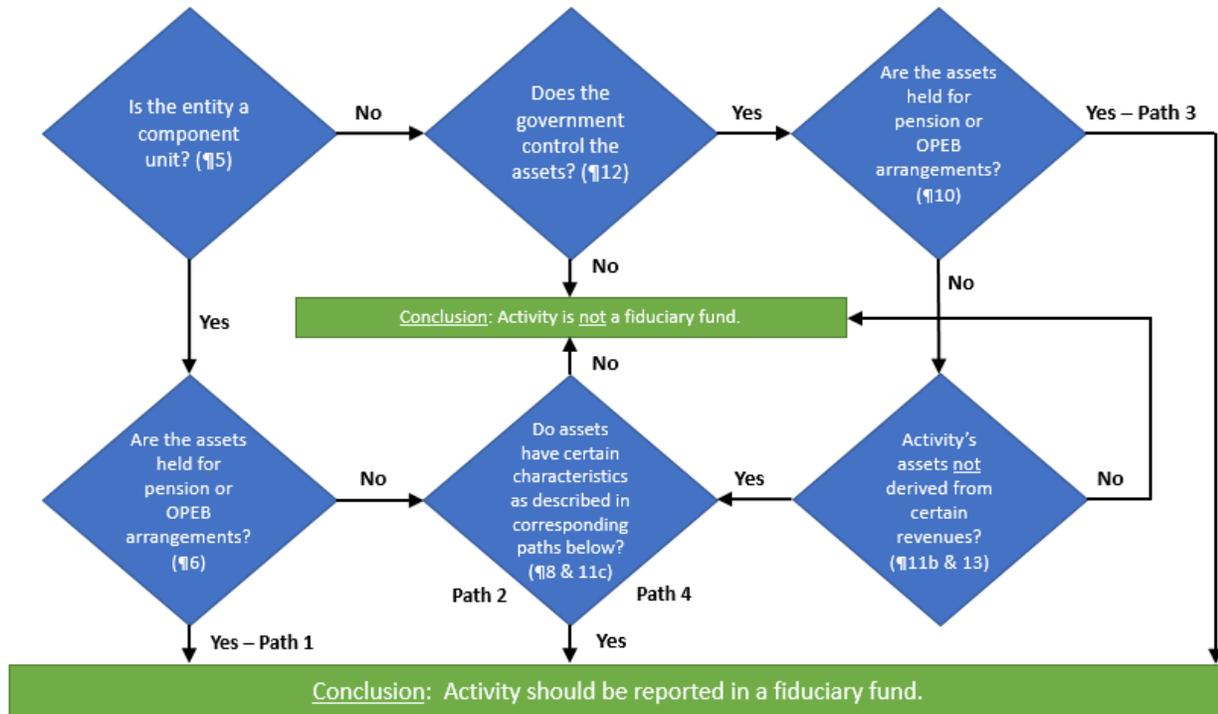


Appendix A – Fiduciary Activity Criteria

The following flowchart can be used to assist in determining when an entity should report assets in a fiduciary fund. As mentioned in the FRU, there are four paths to identifying fiduciary activities; each of these paths is depicted in the following flowchart. The four paths and its criteria are further described below the chart.



Path 1 – Fiduciary component units that are postemployment benefit arrangements

Component Units – those that meet the criteria as prescribed by GASB Statement No. 14, *The Financial Reporting Entity* (GASB 14), as amended – is a fiduciary component unit if they are one of the following arrangements:

- A pension plan that is administered through a trust that meets the criteria in paragraph 3 of GASB Statement No. 67, *Financial Reporting for Pension Plans* (GASB 67)
- An OPEB plan that is administered through a trust that meets the criteria in paragraph 3 of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 74)
- A circumstance in which assets from entities that are not part of the reporting entity are accumulated for pensions as described in paragraph 116 of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB 73)
- A circumstance in which assets from entities that are not part of the reporting entity are accumulated for OPEB as described in paragraph 59 of GASB 74.

Considerations: One of the first steps in determining whether an activity is a fiduciary activity is determining if the entity is a component unit as required by GASB 14, as amended. When evaluating, GASB Statement No. 84, *Fiduciary Activities* (GASB 84) has made it clear that pension and OPEB arrangements that are in “qualifying trusts” are considered legally separate

entities for component unit evaluation. “Qualifying trusts” would be those arrangements that meet the criteria outlined in the four bullets above.

Examples and additional considerations for potential fiduciary component units can be found in Implementation Guide No. 2019-2, *Fiduciary Activities* questions 4.1-4.7.

Path 2 – Fiduciary component units that are not postemployment benefit arrangements

Component Units – those that meet the criteria as prescribed by GASB 14, *The Financial Reporting Entity*, as amended – is a fiduciary component unit if the assets are not held for pension and OPEB arrangements but have one or more of the following characteristics:

- The assets are 1) administered through a trust agreement or equivalent arrangement in which the government itself is not a beneficiary, 2) dedicated to providing benefits to recipients in accordance with the benefit terms, and 3) legally protected from the creditors of the government.
- 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. In addition, the assets are not derived from the government’s 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 financial reporting entity. In addition, the assets are not derived from the government’s provisions of goods or services to those organizations or other governments.

Considerations: A government has administrative involvement with the assets if, for example, it:

- Monitors compliance with the requirements of the activity that are established by the government or by a resource provider that does not receive the direct benefits of the activity,
- Determines eligible expenditures that are established by the government or by a resource provider that does not receive the direct benefits of the activity, or
- Has the ability to exercise discretion over how assets are allocated.
- Additional examples can be found in the Implementation Guide No. 2019-2, *Fiduciary Activities* questions 4.14, 4.16 – 4.27.

A government has direct financial involvement with the assets, if for example, it provides matching resources for the activities. Additional examples can be found in the Implementation Guide No. 2019-2, *Fiduciary Activities* questions 4.14, 4.16, 4.26, and 4.28.

Examples of assets that benefit individuals or organizations can be found in the Implementation Guide No. 2019-2, *Fiduciary Activities* questions 4.14, 4.16-4.30.

Path 3 – Postemployment benefit arrangements that are not component units

Postemployment benefit arrangements that are not component units are fiduciary if the government controls the assets of the arrangement and the arrangement is one of the following:

- A pension plan that is administered through a trust that meets the criteria in paragraph 3 of GASB 67
- An OPEB plan that is administered through a trust that meets the criteria in paragraph 3 of GASB 74
- A circumstance in which assets from entities that are not part of the reporting entity are accumulated for pensions as described in paragraph 116 of GASB 73

- A circumstance in which assets from entities that are not part of the reporting entity are accumulated for OPEB as described in paragraph 59 of GASB 74.

A government controls the assets of an activity if:

- The government holds the assets, or
- The government has the ability to direct the use, exchange, or employment of the assets in a manner that provides benefits to the specified or intended beneficiaries.

Considerations: In the Statement's Basis for Conclusions, the Board clarifies the fact that a specific group of assets may exist for the benefit of others does not rule out the possibility that the government controls those assets. Additionally, restrictions that stipulate assets can be used only for the purposes described in a custodial agreement or trust agreement do not negate a government's control over the assets.

When a government appoints a designee to act on its behalf, the designee is performing the government's fiduciary duties and not assuming them. Thus, appointing a designee to act on its behalf does not alter the government's ability to direct the use, exchange, or employment of the assets. The Board also concluded that just because a government can make the selection of investment options or the determination of benefits that this does not, by themselves, result in a determination that the government controls the assets.

Examples of control can be found in the Implementation Guide No. 2019-2, *Fiduciary Activities* questions 4.8 -4.15, 4.29, 4.31-4.34.

Path 4 – Other Fiduciary Activities

All other activities are fiduciary if all three of the following are met:

- The government controls the assets (see control criteria in Path 3)
- Those assets are not derived either:
 - Solely from the government's own-source revenues, or
 - From government-mandated nonexchange transactions or voluntary nonexchange transactions with the exception of pass-through grants for which the government does not have administrative or direct financial involvement (see administrative and direct financial involvement criteria above).
- The assets associated with the activity have one or more of the following characteristics:
 - The assets are 1) administered through a trust agreement or equivalent arrangement in which the government itself is not a beneficiary, 2) dedicated to providing benefits to recipients in accordance with benefit terms, and 3) legally protected from the creditors of the government.
 - 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. In addition, the assets are not derived from the government's 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 financial reporting entity. In addition, the assets are not derived from the government's provision of goods or services to those organizations or other governments.

Own-source revenues are revenues that are generated by a government itself. They include exchange and exchange-like revenues (such water and sewer charges), derived tax revenues (such as sales and income tax) and imposed nonexchange revenues (such as property tax).

Additional examples of own-source revenues can be found in the Implementation Guide No. 2019-2, *Fiduciary Activities* questions 4.10-4.12, 4.14, 4.29, 4.35-4.38.

Considerations: See Path 2 for considerations on administrative involvement and direct financial involvement.