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Washington Office of Superintendent of
PUBLIC INSTRUCTION
Chris Reykdal, Superintendent

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(X) Informational

BULLETIN NO. 047-20 SCHOOL APPORTIONMENT AND FINANCIAL SERVICES

TO: Educational Service District Superintendents
School District Superintendents
School District Business Managers

FROM: Chris Reykdal, Superintendent of Public Instruction

RE: Third Addendum to the School District Accounting Manual for the 2019–20
School Year

CONTACT: Paul Stone, Supervisor, School District Accounting
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PURPOSE/BACKGROUND

The purpose of this bulletin is to advise school districts of the third addendum to the *Accounting Manual for Public School Districts in the State of Washington (Accounting Manual)*. The effective date of the addendum is September 2019, and the changes are applicable to the school district fiscal year beginning September 1, 2019.

THIRD ADDENDUM TO THE SCHOOL DISTRICT ACCOUNTING MANUAL FOR THE 2019–20 SCHOOL YEAR

ACCOUNTING GUIDANCE RELATED TO GASB STATEMENT 84–FIDUCIARY ACTIVITY IS POSTPONED FOR SCHOOL YEAR 2019–20

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, to establish new criteria for identifying and reporting fiduciary activity. The new standard was to take effect for reporting periods beginning after December 15, 2018. Accordingly, the *2019–20 Accounting Manual for School Districts in Washington State (Accounting Manual)* was revised to include guidance on the new standard. GASB 84 guidance is included in OSPI Bulletins B014-19 and B086-19.

In March 2020, the COVID-19 situation prompted the GASB to consider the pandemic's impact on the governmental financial reporting process. There are difficulties encountered by government officials working remotely and there is an inability to access important information needed to effectively implement the new Statement. Accordingly, the GASB issued Statement 95 to address the situation and to postpone the effective date of implementation for several GASB Statements. For school districts in Washington state, GASB 84–Fiduciary Activity now becomes effective in the 2020–21 school year.

The purpose of this Bulletin is to provide guidance on fiduciary activity that preceded GASB 84. The intent of this Bulletin is to supersede the published GASB 84 guidance currently in the 2019–20 Accounting Manual and effectively postpone the implementation of GASB 84 guidance to the 2020–21 school year.

Early implementation of GASB 84 is not allowed on the F-196 Fund Financial Statements, which all school districts are required to provide to OSPI.

Early implementation of GASB 84 would only be an available option for governments producing GAAP, Governmentwide Financial Statements, and CAFRs. Early implementation of GASB 84 would require the reporting entity to implement all provisions of GASB 84. Also, Note 1 must disclose the early implementation of GASB 84 and describe its impact. Note 1 sections describing fiduciary fund types would also need to be updated.

FIDUCIARY ACTIVITY GUIDANCE SUPERSEDING GASB 84 FOR THE 2019–20 SCHOOL DISTRICT ACCOUNTING MANUAL

CHAPTER 1–PRINCIPLES OF ACCOUNTING

On page 1-11, guidance summarizes the various types of fiduciary activities. Under GASB 84, the guidance describes Private Purpose Trusts and Custodial Funds. The pre-GASB 84 guidance describes Private Purpose Trusts and Agency Funds. The following guidance is copied from the 2018–19 Accounting Manual and this supersedes GASB 84 guidance during the 2019–20 school year.

Trust and Agency Funds

Trust and Agency Funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units,

or other funds. These include Private-Purpose Trust Funds, and (d) Agency Funds. (GASB Cod. Sec. 1100.103c[1]. See also Sec. 1300, "Fund Accounting.")

- The purpose of the **Private-Purpose Trust Fund (Fund 7)** is to account for moneys or other assets donated to school districts to benefit individuals or private organizations. Examples include moneys for scholarship, student aid, charitable, and other similar purposes, such as InvestED. The authority to use the resources comes from the donor who specifies a use or range of allowed uses for assets to be held in trust. The school board has the authority to determine the use of the assets only within the confines of the original trust agreement.
- The purpose of the **Agency Fund (Fund 7)** is to account for activities in which the district is acting in an agent capacity for some other organization, government, individual, or fund. Agency funds are purely custodial in nature (i.e., assets equal liabilities) and thus do not focus on the measurement of operations (i.e., there are no revenues, expenditures, or fund balance).

CHAPTER 13—FIDUCIARY ACTIVITY

Throughout Chapter 13, guidance details the various types of fiduciary activities. Under GASB 84, the guidance describes Private Purpose Trusts and Custodial Funds. The pre-GASB 84 guidance describes Private Purpose Trusts and Agency Funds. The following guidance is copied from the 2018–19 Accounting Manual and this supersedes GASB 84 guidance during the 2019–20 school year.

FIDUCIARY FUNDS

Fiduciary Fund reporting focuses on net position and changes in net position. Fiduciary funds should be used to report assets held in a trustee or agency capacity for others and cannot be used to support the government's own programs. The Fiduciary fund category includes, but are not limited to, Private-Purpose Trust Funds and Agency Funds. Trust funds should be used to report resources held and administered by the reporting government when it is acting in a fiduciary capacity for individuals, private organizations, or other governments (GASB Statement 34, para 69).

Trust and Agency Funds

Trust and Agency Funds—to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, or other funds. These include, but are not limited to, Private-Purpose Trust Funds, and Agency Funds (GASB Cod. Sec. 1100.103c[1]. See also Sec. 1300, "Fund Accounting").

Private-Purpose Trust Funds

These funds are used to report trust arrangements under which the income and principal benefits individuals, private organizations, or other governments. Examples are moneys or other assets donated to school districts for scholarship, student aid, charitable, and other like uses. The authority to use the resources comes from the donor who specifies a use or range of allowed uses for assets to be held in trust and, accordingly, the school board has the authority to determine the use of the assets only within the confines of the original trust agreement. For this reason, school boards are required to formalize by board resolution the acceptance of any moneys or other assets to be held in trust.

When established, the Private-Purpose Trust Fund will account for one or more individual trusts, so that it will not be necessary to have several trust funds established in the district's accounting records. Thus, the balance of assets in the trust fund will consist of an aggregate of balances of individual trusts. This is similar in concept to the Associated Student Body (ASB) Fund, which typically consists of several separate clubs or activities.

The InvestED fund is one example of a grant distributed to public and private secondary schools so that school personnel, using their discretion, can identify and immediately respond to individual student needs. The most appropriate accounting for InvestED funds is in the Private Purpose Trust Fund. However, if the amount is "immaterial" (less than 5 percent of the ASB Fund total revenue), it can be accounted for in the ASB Fund, as long as the private money is easily identifiable within the accounting records. If the amount becomes material, the district will separate the InvestED funds and report them in the Private Purpose Trust Fund on their Annual Financial Statements (F-196).

AGENCY FUNDS

The Agency Fund is used to account for activities in which the district is acting in an agent capacity for some other organization, government, individual, or fund. Agency funds are purely custodial in nature (i.e., assets equal liabilities) and thus do not focus on the measurement of operations (i.e., there are no revenues, expenses, or fund balance). The modified accrual basis of accounting is used to measure financial position.

An agency fund differs from a trust fund in that there is no formal trust agreement. They are used where the government's role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

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INFORMATION AND ASSISTANCE

For questions regarding this bulletin, please contact Paul Stone, Supervisor of School District and ESD Accounting at 360-725-6303 or by email at paul.stone@k12.wa.us. The OSPI TTY number is 360-664-3631. This bulletin is also available on the OSPI website under [bulletins](#).

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