



STATE OF NEW JERSEY
DEPARTMENT OF EDUCATION

A Memo from the New Jersey Department of Education

Date: March 27, 2020
To: Chief School Administrators, Charter School and Renaissance School Project Leads
Route To: School Business Administrators/Board Secretaries, Independent Public School Auditors
From: Kevin Dehmer, Assistant Commissioner/CFO
Division of Finance

Implementation of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*

The Governmental Accounting Standards Board (GASB) is an independent, nonprofit organization that establishes financial accounting and reporting standards for state and local governments, including school districts, charter schools and renaissance school projects. New Jersey state law and administrative code (*N.J.S.A.18A:4-14* and *N.J.A.C. 6A:23A-16.1 et seq.*) require school districts, charter schools and renaissance school projects to follow generally accepted governmental accounting principles in accordance with statements issued by the Governmental Accounting Standards Board (GASB). The Comprehensive Annual Financial Report (CAFR) as prepared by each public school is the basis for the annual independent audit. Implementation of GASB Statement No. 84, *Fiduciary Activities*, is required for the fiscal year ending June 30, 2020.

GASB Statement No. 84 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. Determining whether an activity is fiduciary can be a challenge. Governmental Accounting Standards Board (GASB) recently issued Implementation Guide No. 2019-2, *Fiduciary Activities*. The Implementation Guide, which is an authoritative document, includes questions and answers on topics such as identifying fiduciary activities and reporting fiduciary activities: [Implementation Guide No. 2019-2, Fiduciary Activities](#).

Key steps/actions

Based on review of GASB No. 84, we prescribe the following accounting and reporting requirements effective for the 2019-20 fiscal year for the following activity which is currently reported in the fiduciary fund:

Student Activity Funds are to be reported in the Special Revenue Fund

The revenue sources for the Student Activity Fund are solely for the fees and dues collected and they are restricted for the specifically identified student activity. *N.J.A.C. 6A:23A-16.12* governs the establishment and operation of the Student Activity Fund restricting expenditures within the fund and prohibiting the transfer of any unspent balances to any other fund.

Revenue Source Code 20-1XXX -XXX

Appropriations Program Codes 20-4XX- XXX-XXX

Balance Sheet-Fund 20 -Special Revenue Fund will report all assets, and liabilities. Any fund balance is required to be classified as restricted fund balance.

Scholarship Funds are to be reported in the Special Revenue Fund

The use of scholarship funds is restricted by the contributors. GASB No. 54 paragraph 30 provides that Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. Therefore, the Scholarship Fund should be accounted for and reported in the Special Revenue Fund.

Revenue Source Code 20-1XXX -XXX

Appropriations Program Codes 20-4XX- XXX-XXX

Balance Sheet-Fund 20 - Special Revenue Fund will report all assets, and liabilities. Any fund balance is required to be classified as restricted fund balance.

Unemployment Trust Fund is to be reported in the General Fund

As the Unemployment Fund does not meet the definition of a fiduciary activity prescribed in GASB No. 84 paragraph 11, the Unemployment Fund is to be reported in the general fund. However, these funds are restricted pursuant to *N.J.S.A. 43:21-7.3(g)*, which requires that employer and employee contributions be held in a trust fund maintained by the governmental entity or instrumentality for unemployment benefit cost purposes and any surplus remaining in this trust fund must be retained in reserve for payment of benefit costs in subsequent years.

Accordingly, as use of these funds are restricted by statute, any unemployment net position at 7/1/19 should be classified as restricted fund balance in the general fund. Beginning in the 2019-20 fiscal year, any employee contributions are to be recorded as an "Other Liability" and any district contributions are to be applied to the restricted fund balance. Funds used for the payment for claims will reduce the outstanding liability of this fund. Claims which exceed the outstanding liability will be satisfied through use of the restricted fund balance. Detail on the withdrawal process will be forthcoming.

Balance Sheet will report Assets, Liabilities and Restricted Fund Balance

Excess Surplus Calculation - Any Restricted Fund Balance will be excluded from the Excess Surplus Calculation.

Payroll Agency and Flexible Spending Accounts are to be reported in the General Fund

As the Payroll Clearing Fund and Flexible Spending Accounts do not meet the definition of fiduciary activities prescribed in GASB No. 84 paragraph 11, they will be accounted for and reported in the General Fund. Any unremitted balance at year-end will be reported as a liability on Schedule B-1.

Balance Sheet will report Assets and Liabilities.

School districts, charter schools and renaissance schools are advised to review all of current fiduciary activities with their auditors to ensure full compliance with [GASB Statement No. 84](#) for fiscal year ending June 30, 2020.

Contact information

Please submit questions regarding this memo to doe.cafr@doe.nj.gov.

c: Members, State Board of Education
Lamont O. Repollet, Ed.D., Commissioner
NJDOE Staff
Statewide Parent Advocacy Network
Garden State Coalition of Schools
NJ LEE Group