Q&A Section 6950

State and Local Governments

.23 Background

GASB Statement No. 84, *Fiduciary Activities*, became effective for reporting periods beginning after December 15, 2018. GASB Statement No. 84 changed the framework to evaluate whether activities are fiduciary in nature and clarified that the reporting of fiduciary activities applies also to special-purpose governments engaged in business-type activities (BTAs). One result of this standard is that some BTAs will be reporting fiduciary activities for the first time.

Because of the changes to the reporting entity that may result from implementation of GASB Statement No. 84, questions have arisen about the auditor's consideration of materiality when a government omits reporting fiduciary activities. GASB *Implementation Guide 2015-1*, Q7.4.1, as amended, provides guidance that preparers use professional judgment for assessing materiality for this purpose, considering relevant qualitative factors and the relationship of the types of fiduciary funds to other appropriate information in the financial statements. The government's quantitative materiality determination for each type of fiduciary fund could be made based on (*a*) the significance of those funds to all fiduciary funds of the reporting government or (*b*) the significance of those funds to all funds of the government.

Chapters 4 and 16 of the AICPA Audit and Accounting Guide *State and Local Governments* describe in detail the auditor's materiality considerations when planning, performing, evaluating the results of, and reporting on an audit. As noted in that guidance, auditors consider materiality for governmental financial statement audits at the opinion-unit level. The opinion units affected by the omission of fiduciary activities are either the aggregate remaining fund information opinion unit or the aggregate discretely presented component unit and remaining fund information opinion unit.

.24 Auditor Assessment of a Special-Purpose Government's Only Immaterial Fiduciary Fund

Inquiry — A BTA has not previously reported any fiduciary activities and has, therefore, used a single column for financial statement presentation. In accordance with guidance in the AICPA Audit and Accounting Guide *State and Local Governments*, the auditor has considered only one opinion unit for the BTA in previous audits. In implementing GASB Statement No. 84, the BTA determines that it has an activity that meets the criteria to be reported as a fiduciary fund in its financial statements. However, the BTA elects not to present the only identified fiduciary fund in the financial statements because it considers it to be immaterial based on the guidance in GASB *Implementation Guide 2015-1*, Q7.4.1, as amended.

> How should the auditor assess the appropriateness of the government's omission of the fiduciary fund?

Reply — The auditor should first assess management's assertion that the omission of the fiduciary fund is appropriate (that is, the fiduciary fund is both quantitatively and qualitatively immaterial based on relevant GAAP). Based on the guidance in GASB *Implementation Guide 2015-1*, Q7.4.1, as amended, the government can assess quantitative materiality of the fiduciary fund type based on the significance of those funds to all funds of the government. In all cases, qualitative materiality aspects should be appropriately considered. If the auditor agrees with management's assessment of materiality (quantitative and qualitative) relevant to the omission, the auditor does not need to perform any further audit procedures related to this omitted fund. The auditor also does not need to reference the fiduciary fund omission in the auditor's report. The guidance in chapters 4 and 16 of the AICPA Audit and Accounting Guide *State and Local Governments* on the auditor's materiality considerations at the opinion-unit level is not applicable because there is no aggregate remaining fund information opinion unit in this scenario.

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