

Government Guide

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Is it Fiduciary?

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The effective date for GASB 84 is quickly approaching and may even have passed as of the date that you are reading this article. Have you implemented the new standard at your government entity? Are you aware of what GASB now refers to as a Fiduciary Fund? If you're not familiar with this, then now is the time to sit down and make certain you are following the new standard. This standard is required to be implemented for periods beginning after December 15, 2018.

No more Agency Funds?

You read that right, there are no more Agency Funds. Instead there are Custodial Funds, and those funds now have a flows statement, unlike Agency Funds. Flows statements are essentially revenues and expenses, but instead we will call them Additions and Deductions, as we have in the past. The flows statement is now called the Statement of Changes in Fiduciary Net Position, and the balance sheet is called the Statement of Fiduciary Net Position.

What is considered a Custodial Fund?

GASB lays out the criteria for what would fall under a custodial fund, which is more likely the type of fund most governments will be dealing in. First, this fund will not include any activities from a trust. Those fiduciary activities will be reported in the other three types of fiduciary funds: Pension/OPEB Trust Fund, Investment Trust Fund and Private-purpose Trust Fund.

When determining whether you have a Custodial Fund, you should ask yourself three questions:

1. Does my primary government have control of assets (i.e. holds the assets or directs the use, exchange or employment of the assets),
2. That are not derived from my primary government's own source revenues,
3. And are held for the benefit of another individual, organization or government?

If so, you might have a Fiduciary Fund – keep reading.

What if I said yes to all three?

If you have control of assets, like cash or investments, and those assets didn't come from your own source revenues like sales taxes, property taxes, water sales, sewer sales or grants, and they are for the benefit of another organization or government, odds are you have a Fiduciary Fund. If they are for the benefit of individuals, you must ask yourself the same questions above as well as whether you have any administrative or direct financial involvement with those assets. Things such as:

- Monitoring compliance with those assets

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- Serving the government industry since 1957
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Government Guide

- Determining eligibility of expenditures with those assets
- Exercise discretion over the allocation of those assets
- Provide matching resources from your primary government to those assets

If you are doing any of the four activities above, then the activity is not a fiduciary one, but rather a governmental or proprietary fund activity.

Any exceptions?

Sure, there are always exceptions in accounting. In this case, if you have a pass-through grant in which you are not performing any of the administrative or direct financial involvement bullets above, you may still have a fiduciary activity, and you will want to consult with your auditor on that determination. Also, if you are a stand-alone business-type activity government, like an electrical district, and you think you have activities that meet the criteria laid out so far, you can report those activities with your regular activities if you hold the assets for less than three months. If you are holding the controlled assets for longer than three months, odds are you will need to start reporting a separate fiduciary fund in your statements.

What now?

If you haven't already begun doing so, you should brainstorm with your finance department regarding whether you do have control of assets that may fall under this standard. If so, you may need to dig deeper, and work with you auditor to determine if your suspicions are correct.

If you have any questions, Brian can be reached at (480) 839-4900 or BrianH@hhcpa.com.



Henry+Horne has performed several audits of our annual financial statements, and each year they have submitted the reports on or before deadline. All members of the engagement team are very knowledgeable, extremely responsive and professional.