



## GASB Proposes New Guidance on Fiduciary Funds

By Stephen J. Gauthier

The GASB's *Financial Reporting for Fiduciary Responsibility* Preliminary Views document outlines how the GASB tentatively proposes to clarify authoritative standards to enhance consistency in reporting for fiduciary funds.

Ambiguity in current authoritative standards has led to inconsistent accounting and financial reporting for fiduciary funds. In November 2014, the Governmental Accounting Standards Board (GASB) published its Preliminary Views (PV) on *Financial Reporting for Fiduciary Responsibility*. That document outlines how the GASB tentatively proposes to clarify authoritative standards to enhance consistency in reporting for fiduciary funds.

**Use of Fiduciary Funds.** A fiduciary fund type should be used only when a government is, in fact, acting as a *fiduciary*. Unfortunately, current authoritative standards do not provide clear guidance for making that determination (other than for postemployment benefits and similar situations). The proposals in the PV are designed to fill that gap.

The PV identifies three types of resources for which a government might be considered to function as a fiduciary: 1) resources the government receives and disburses in purely “cash conduit” pass-through grants; 2) resources the government holds in trust (or an equivalent arrangement) and for which the government itself is not a beneficiary; and 3) resources held for the benefit of individuals outside the government’s citizenry, or for the benefit of organizations or governments outside the financial reporting entity.

For all three types of resources, the use of a fiduciary fund would be appropriate only if the government actually *controls* the resources. For this purpose, the PV tentatively proposes that *control* be determined as follows:

1. If the government holds the assets, but not in trust, it would be a fiduciary if it: 1) is responsible for administering the exchange of assets; 2) has assigned the responsibility for administering the exchange of assets to someone else, but retains the ability to reassign that responsibility; 3) is not responsible for administering the exchange of assets, but is able to set parameters for how others administer them; or 4) is not responsible for administering the exchange of assets.
2. If the government holds the assets in trust, it would be a fiduciary if it: 1) is responsible for administering the exchange of assets; or 2) has assigned the responsibility for administering the exchange of assets to someone else, but retains the ability to reassign that responsibility.
3. If a legally separate entity either directly holds the assets, or holds the assets in trust, it would be a fiduciary if it: 1) is responsible for administering the exchange of assets; or 2) has assigned the responsibility for administering

the exchange of assets to someone else, but retains the ability to reassign that responsibility.

**Fiduciary Fund Types and the Treatment of Fiduciary-Type Component Units.** The PV tentatively proposes to replace the existing *agency fund type* with a new *custodial fund type*. *Custodial funds* would be distinguished from *private-purpose funds* by the absence of a trust or equivalent arrangement.

Sometimes standalone business-type activities have fiduciary-type component units. The PV tentatively proposes to clearly direct that these fiduciary-type component units be included in the standalone report of the business-type activity.

Also, some have argued that a fiduciary-type component unit of a fidu-

ciary-type component unit would *not* be included in the financial reporting entity's report. The PV takes the opposite position and tentatively proposes that both be incorporated directly into the fiduciary fund financial statements of the financial reporting entity.

**Presentation Issues.** The PV tentatively proposes requiring that all fiduciary funds present *additions* by source and *deductions* by type. It also tentatively proposes that administrative costs be distinguished from investment-related costs, with the latter being reported as a component of net investment income in the *additions* section of the statement of changes in fiduciary net position.

Trust funds report liabilities only for the claims of individual beneficiaries. The PV tentatively proposes

that the recognition of individual claims take place when an event has occurred that compels the government to disburse fiduciary resources and no further action is required by the beneficiary, and no additional condition has to be met, for the beneficiary to be entitled to receive the resources.

**Due Process.** The GASB has set a comment deadline of March 6, 2015, for those wishing to respond to the PV. The board hopes to release an exposure draft on the topic late this year, and a final pronouncement in late 2016. ■

---

STEPHEN J. GAUTHIER is director of the GFOA's Technical Services Center in Chicago, Illinois.

**Invest in your career! The University of Georgia offers**

# Online Courses in Governmental Finance

If you are a steward of government funds, these self-paced online courses from the University of Georgia can enhance your value—and your career. All qualify for CEs.

- Governmental Accounting
- Intro & Intermediate Budget
- Revenue Administration
- Debt Administration
- Capital Improvement Program
- Treasury Management
- Internal Controls
- Purchasing
- Human Resources For Government Officials

Study online, anytime! Register today.  
[www.georgiacenter.uga.edu/govfinance/GFR](http://www.georgiacenter.uga.edu/govfinance/GFR)

CARL  
**VINSON INSTITUTE  
OF GOVERNMENT**  
The University of Georgia

 The University of Georgia  
Center for Continuing Education

**UGAKeepLearning.com**