



# Fiduciary Funds

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# Overview



- Reporting investment pools
- GAAP statements: Hot topics
  - Statement of Fiduciary Net Position
  - Statement of Changes in Fiduciary Net Position





# Reporting Investment Pools

# What is an Investment Pool?

The comingling of monies for investment purposes, where all parties participate in gains and losses.





# Do all Counties Have Investment Pools?

- **Yes!**
- The Attorney General has stated that SPDs participate in gains and losses. This creates an investment pool.
- RCW 36.29.022 – County treasurer may combine local governments' monies for the purpose of investment.
- Local Government Investment Pool (LGIP) – Places all monies collected under RCW 36.29.020 into the county's account; therefore, if investments are in LGIP, monies are automatically comingled.



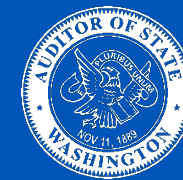




# How to Report Investment Pools

- Two types of investment pools (external portion only):
  - Formal agreement / acting like a formal agreement
  - Not a formal agreement / acting like a formal agreement

Formal Agreement – Investment Trust Fund	Not a formal agreement – Custodial – External Investment Pool
<ul style="list-style-type: none"><li>• The government itself is not a beneficiary</li><li>• Dedicated to providing benefits in accordance with the benefit terms</li><li>• Legally protected from the government’s creditors</li></ul>	<ul style="list-style-type: none"><li>• Determination by county legal counsel: the monies are not protected from creditors</li></ul>



# Items to Review for Determination

- Does your County Treasurer have a policy on how it handles deposits?
- What do your disclosures say about interest?
- What is the actual practice?

Investment Trust ?	Private-Purpose Trust	Custodial	External Investment Pool Fund ?
-	30,994	108,271,351	-
13,555,357	-	-	97,641,041
-	14,655	216,894,818	-
-	13,688	211,165,574	-
-	967	5,729,244	-
13,555,357	31,962	114,000,591	97,641,041

# Invest all Monies as Soon as You Receive Them

- This should be in policy, and all monies should go to the fund holding investments.
- All warrant requests should be paid out of the fund holding investment.
- Receipting would be BARS code 389.40
- Disbursements would be BARS code 589.40







# Invest all Monies as Soon as You Receive Them

		Total for All Funds (Memo Only)	Investment Trust	Custodial
308	Beginning Cash and Investments	4,895,024	3,500,730	1,394,294
388 & 588	Net Adjustments	-	-	-
310-390	Additions	40,554,419	10,286,902	30,267,517
510-590	Deductions	33,403,022	3,301,448	30,101,574
	Net Increase (Decrease) in Cash and Investments:	7,151,397	6,985,454	165,943
508	Ending Cash and Investments	12,046,425	10,486,187	1,560,238

Taxes, fees, etc.  
received — **389.40**

Distributions to SPDs—  
**589.40**



# Received into Custodial Funds

- SAO considers this as the default arrangement.
- All items received to custodial funds 389.40
- Moving to investment fund using 589.40 out of the custodial and 389.40 into the fund holding investments
- Investments mature or SPD requests a disbursement 589.40 out of the investment fund and 389.40 into the custodial fund
- Disbursement to the SPDs out of the custodial 589.40

# Received into Custodial Funds



		Total for All Funds (Memo Only)	Investment Trust	Custodial
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	Net Increase (Decrease) in Cash and Investments:	7,151,397	6,985,454	165,943
508	Ending Cash and Investments	12,046,425	10,486,187	1,560,238

Cash being  
invested –  
**389.40**

Investment  
matures and not  
being reinvested  
– **589.40**

# Items That Are Not Accounting Transactions

- Sweeping accounts
- Investments that will be reinvested
- Invested to meet compliance, but SPDs are not participating in gains



# Reporting Line Items – Cash



- Review your C-5
  - Some common HelpDesk questions on reporting:
    - ✓ **NO** transfers between fiduciary funds (no 397/597 codes)
      - Must use the appropriate reduction and addition codes
    - ✓ If monies are going to be reinvested, **DO NOT** process an addition and reduction between the custodial and investment funds OR within the investment fund.
    - ✓ Simply hold the balance in the investment fund.



# Reporting in the Notes (Note 1 – Cash)



## Fiduciary Fund Types: [\[3\]](#)

Fiduciary funds account for assets held by the government in a trustee capacity or as a custodian on behalf of others.

### Pension (and Other Employee Benefit) Trust Funds

These funds are used to report fiduciary activities for pension and OPEB plans administered through trust.

### Investment Trust Funds

These funds are used to report fiduciary activities from the external portion of investment pools and individual investment accounts that are held in trust. [\[4\]](#)

### Private-Purpose Trust Funds

These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

### Custodial Funds

These funds are used to account assets that the government holds on behalf of others in a custodial capacity.



# Reporting in the Notes (Note 1 – Cash)



**[3]** Eliminate labels and descriptions of any funds that your government does not use. The external portion of investment pools that are not held ***in trust*** should be reported in a separate *external investment pool fund column* under the custodial funds classification.

[\*Return to Reference 3 - Governmental\*](#)

[\*Return to Reference 3 - Proprietary\*](#)

[\*Return to Reference 3 - Fiduciary\*](#)

**[4] Counties only** – If there is an external investment pool, the county should use these fund types for all transactions for the Special Purpose Districts. The county should not record the maturity and repurchase transactions as additions and reductions.

[\*Return to Reference 4\*](#)

# Reporting in the Notes

## (Note X – Deposits and Investments – Cash)



It is the (city/county/district's) policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds (or if not prorated, explain your unique circumstances).

**[5]**

**[5]** Disclose any income from investments associated with one fund that is assigned to another fund. See Sweeping Interest and Investment Returns into General Fund for legal requirements related to interest diversion.

*[Return to Reference 5](#)*

# Reporting in the Notes

## (Note X – External Investment Pool – Cash)



- As a County, you must have this note. It does not matter what type of fund your investment pool is recorded in.

### Note X – External Investment Pool (Counties Only)

#### Note X – External Investment Pool

The External Investment Pool sponsored by the County was established in (date). Revised Code of Washington (RCW) [36.29.022](#), [36.29.010](#), [36.29.020](#), authorize the County Treasurer to invest its surplus cash and any funds of municipal corporations which are not required for immediate expenditure and are in the custody or control of the county treasurer. The External Investment Pool's investments are invested pursuant to the Revised Code of Washington. Any credits or payments to pool participants are calculated and made in a manner as required by RCW [36.29.024](#).

The investments are managed by the Treasurer, which reports investment activity to the County Finance Committee on a (describe timing, i.e. monthly, quarterly, etc.). Additionally, the County treasurer investment activity is subject to an annual investment policy review, compliance oversight, quarterly financial review, and annual financial reporting. The County has not provided nor obtained any legally binding guarantees during the year ended December 31, 20\_\_, to support the value of shares in the Pool.

The External Investment Pool is not registered with the SEC and is not subject to any formal oversight other than that provided by the County Finance Committee. The Committee is responsible for adopting investment objectives and policies, for hiring investment advisors, and for monitoring policy implementation and investment performance. The Committee's primary role is to oversee the allocation of the Pool's portfolio among the asset classes, investment vehicles, and investment managers.

# Reporting in the Notes (Note 1 – GAAP)



The (city/county/district) reports the following major governmental funds: [5]

The general (or current expense) fund is the (city/county/district's) operating fund. It accounts for all financial resources of the general government, except those required or elected to be accounted for in another fund.

The (city/county/district) reports the following major enterprise funds: [6]

Additionally, the (city/county/district) reports the following fund types: [7]

Internal service funds account for \_\_\_\_\_ and \_\_\_\_\_ provided to other departments or agencies of the (city/county/district), or to other (cities/counties/districts), on a cost reimbursement basis.

The private-purpose trust fund is used to account for \_\_\_\_\_.

The investment trust fund is used to account for \_\_\_\_\_.

The pension and other employee benefit trust fund is used to account for \_\_\_\_\_.

# Reporting in the Notes (Note 1 – GAAP)



**[7]** Describe the activities of the internal service and applicable fiduciary fund(s). The description should be specific to the government rather than generic.

[\*Return to Reference 7\*](#)

# Reporting in the Notes

## (Note X – Deposits and Investments – GAAP)



### B. Investments [2]

It is the (city/county/district's) policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds (or if not prorated, explain your unique circumstances).

[3]

[3] Disclose any income from investments associated with one fund that is assigned to another fund. See BARS Manual 3.2.3, *Sweeping Interest and Investment Returns into General Fund* for legal requirements related to interest diversion.

*Return to Reference 3*



# Reporting in the Notes

## (Note X – External Investment Pool – GAAP)



- As a County, you must have this note. It does not matter what type of fund your investment pool is recorded in.

### Note X – External Investment Pool (Counties Only)

#### 4 Accounting

##### 4.6 Notes to Financial Statements

#### Note X – External Investment Pool

The External Investment Pool sponsored by the County was established in [date]. Revised Code of Washington (RCW) [36.29.022](#), [36.29.010](#), [36.29.020](#), authorize the County Treasurer to invest its surplus cash and any funds of municipal corporations which are not required for immediate expenditure and are in the custody or control of the county treasurer. The External Investment Pool's investments are invested pursuant to the Revised Code of Washington. Any credits or payments to pool participants are calculated and made in a manner as required by RCW [36.29.024](#).

The investments are managed by the Treasurer, which reports investment activity to the County Finance Committee on a ([describe timing, i.e., monthly, quarterly, etc.](#)). Additionally, the County treasurer investment activity is subject to an annual investment policy review, compliance oversight, quarterly financial review, and annual financial reporting. The County has not provided nor obtained any legally binding guarantees during the year ended December 31, 20XX, to support the value of shares in the Pool.

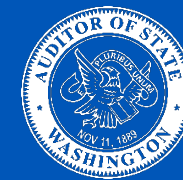


# GAAP Statements: Hot Topics

Statement of Fiduciary Net Position  
Statement of Changes in Fiduciary Net Position



# Statement of Fiduciary Net Position



# Statement of Fiduciary Net Position

	Custodial	Investment Trust
<b>ASSETS</b>		
Cash and cash equivalents	+	
Investments at fair value		+
State Treasurer's investment pool		+
Property tax receivable	+	
Assessments receivable	+	
Other receivable	+	
Interest receivable		+
Total Additions	=	=
<b>LIABILITIES</b>		
Accounts payable	+	
Due to other governments	+	
Due to beneficiaries	+	
Total Liabilities	=	=
<b>NET POSITION</b>		
Restricted For:		
Pool participants		+
Individuals, organizations, and other governments	+	
Total Net Position	=	=

Economic resources measurement focus  
(GASB 84, ¶21)



# Statement of Fiduciary Net Position



Held

Receivable

Investment

Payments

Distributions

	Custodial	Investment Trust
<b>ASSETS</b>		
Cash and cash equivalents	+	
Investments at fair value		+
State Treasurer's investment pool		+
<b>LIABILITIES</b>		
Property tax receivable	+	
Assessments receivable	+	
Other receivable	+	
Interest receivable		+
Total Additions	=	=
<b>NET POSITION</b>		
Restricted For:		
Pool participants		+
Individuals, organizations, and other governments	+	
Total Net Position	=	=

## Classification

- Conceptual major categories of balances

# Statement of Fiduciary Net Position



		Custodial	Investment Trust
	<b>ASSETS</b>		
Held	Cash and cash equivalents	+	
	Investments at fair value		+
	State Treasurer's investment pool		+
Receivable	Property tax receivable	+	
	Assessments receivable	+	
	Other receivable	+	
Investment	Interest receivable		+
	Total Additions	=	=
	<b>LIABILITIES</b>		
Payments	Accounts payable	+	
Distributions	Due to other governments	+	
	Due to beneficiaries	+	
	Total Liabilities	=	=
	<b>NET POSITION</b>		
	Restricted For:		
	Pool participants		+
	Individuals, organizations, and other governments	+	
	Total Net Position	=	=

Financial statement balances that fairly and meaningfully describe what they contain

- Not too aggregated
- Not small and unimportant



# Statement of Fiduciary Net Position

		Custodial	Investment Trust
	<b>ASSETS</b>		
Held	Cash and cash equivalents	+	
	Investments at fair value		+
	State Treasurer's investment pool		+
Receivable	Property tax receivable	+	
	Assessments receivable	+	
	Other receivable	+	
Investment	Interest receivable		+
	Total Additions	=	=
	<b>LIABILITIES</b>		
Payments	Accounts payable	+	
Distributions	Due to other governments	+	
	Due to beneficiaries	+	
	Total Liabilities	=	=
	<b>NET POSITION</b>		
	Restricted For:		
	Pool participants		+
	Individuals, organizations, and other governments	+	
	Total Net Position	=	=

Financial statement balances that fairly and meaningfully describe what they contain

- Not too aggregated
- Not small and unimportant



# Statement of Fiduciary Net Position



		Custodial	Investment Trust
	<b>ASSETS</b>		
Held	Cash and cash equivalents	+	
	Investments at fair value		+
	State Treasurer's investment pool		+
Receivable	Property tax receivable	+	
	Assessments receivable	+	
	Other receivable	+	
Investment	Interest receivable		+
	Total Additions	=	=
	<b>LIABILITIES</b>		
Payments	Accounts payable	+	
Distributions	Due to other governments	+	
	Due to beneficiaries	+	
	Total Liabilities	=	=
	<b>NET POSITION</b>		
	Restricted For:		
	Pool participants		+
	Individuals, organizations, and other governments	+	
	Total Net Position	=	=

## Liability recognition

- “compelled or when no further action, approval, or condition is required to be taken or met to release the assets”
- Do not report the liabilities of other governments.**
- More guidance in GASB Codification 1500.102



# Statement of Fiduciary Net Position

		Custodial	Investment Trust
	<b>ASSETS</b>		
Held	Cash and cash equivalents	+	
	Investments at fair value		+
	State Treasurer's investment pool		+
Receivable	Property tax receivable	+	
	Assessments receivable	+	
	Other receivable	+	
Investment	Interest receivable		+
	Total Additions	=	=
	<b>LIABILITIES</b>		
Payments	Accounts payable	+	
Distributions	Due to other governments	+	
	Due to beneficiaries	+	
	Total Liabilities	=	=
	<b>NET POSITION</b>		
	Restricted For:		
	Pool participants		+
	Individuals, organizations, and other governments	+	
	Total Net Position	=	=

- Collection may trigger an immediate liability & immediate deduction
- Disbursing resources then reduces cash/liability

# Statement of Fiduciary Net Position



		Custodial	Investment Trust
	<b>ASSETS</b>		
Held	Cash and cash equivalents	+	
	Investments at fair value		+
	State Treasurer's investment pool		+
Receivable	Property tax receivable	+	
	Assessments receivable	+	
	Other receivable	+	
Investment	Interest receivable		+
	Total Additions	=	=
	<b>LIABILITIES</b>		
Payments	Accounts payable	+	
Distributions	Due to other governments	+	
	Due to beneficiaries	+	
	Total Liabilities	=	=
	<b>NET POSITION</b>		
	Restricted For:		
	Pool participants		+
	Individuals, organizations, and other governments	+	
	Total Net Position	=	=

- Net position cannot be negative.
- How can you be compelled to disburse fiduciary resources you don't have?



# Statement of Fiduciary Net Position



		Custodial	Investment Trust
	<b>ASSETS</b>		
Held	Cash and cash equivalents	+	
	Investments at fair value		+
	State Treasurer's investment pool		+
Receivable	Property tax receivable	+	
	Assessments receivable	+	
	Other receivable	+	
Investment	Interest receivable		+
	Total Additions	=	=
	<b>LIABILITIES</b>		
Payments	Accounts payable	+	
Distributions	Due to other governments	+	
	Due to beneficiaries	+	
	Total Liabilities	=	=
	<b>NET POSITION</b>		
	Restricted For:		
	Pool participants		+
	Individuals, organizations, and other governments	+	
	Total Net Position	=	=

- What if all of our money is held in an investment trust until we have to actually pay?
- **Uncertain if this is allowable**
  - Due from Investment Trust?
  - Due to Custodial Fund?
- Expect audit questions



# Statement of Changes in Fiduciary Net Position



# Statement of Changes – Additions



	Custodial	Investment Trust
<b>ADDITIONS</b>		
<b>Collections</b>	Property Tax	+
	Special assessments	+
	Impact fees	+
	Court collections	+
	Inmate deposits	+
<b>Deposits</b>	Special purpose district deposits	+
<b>State / Federal</b>	School apportionment	+
	Other state and federal inflows	+
<b>Investments</b>	Investment earnings:	
	Net increase in fair value of investments	+
	Interest, dividends, and other	+
	Total Investment Earnings	=
	Less investment costs	+
	Net investment earnings	=
<b>Interfund activity</b>	Contributions to investment trust	+
	Additions to custodial fund	+
<b>Other</b>	Miscellaneous	+
<b>Total Additions</b>		=

Disaggregate additions by **SOURCE**  
(GASB 84, ¶23)

# Statement of Changes – Additions



	Custodial	Investment Trust
<b>ADDITIONS</b>		
<b>Collections</b>		
Property Tax	+	
Special assessments	+	
Impact fees	+	
Court collections	+	
Inmate deposits	+	
<b>Deposits</b>		
Special purpose district deposits	+	
<b>State / Federal</b>		
School apportionment	+	
Other state and federal inflows	+	
<b>Investments</b>		
Investment earnings:		
Net increase in fair value of investments		+
Interest, dividends, and other		+
Total Investment Earnings		=
Less investment costs		+
Net investment earnings		=
<b>Interfund activity</b>		
Contributions to investment trust		+
Additions to custodial fund	+	
<b>Other</b>		
Miscellaneous	+	
<b>Total Additions</b>	=	=

Disaggregate additions by **SOURCE**  
(GASB 84, ¶23)

- How detailed?

# Statement of Changes – Additions



		Custodial	Investment Trust
	<b>ADDITIONS</b>		
<b>Collections</b>	Property Tax	+	
	Special assessments	+	
	Impact fees	+	
	Court collections	+	
	Inmate deposits	+	
<b>Deposits</b>	Special purpose district deposits	+	
<b>State / Federal</b>	School apportionment	+	
	Other state and federal inflows	+	
<b>Investments</b>	Investment earnings:		
	Net increase in fair value of investments		+
	Interest, dividends, and other		+
	Total Investment Earnings		=
	Less investment costs		+
	Net investment earnings		=
<b>Interfund activity</b>	to investment trust		+
	Additions to custodial fund	+	
<b>Other</b>	Miscellaneous	+	
	<b>Total Additions</b>	=	=

~~Interfund Fiduciary Transfers~~

# Statement of Changes – Additions



	Custodial	Investment Trust
<b>ADDITIONS</b>		
<b>Collections</b>	Property Tax	+
	Special assessments	+
	Impact fees	+
	Court collections	+
	Inmate deposits	+
<b>Deposits</b>	Special purpose district deposits	+
<b>State / Federal</b>	School apportionment	+
	Other state and federal inflows	+
<b>Investments</b>	Investment earnings:	
	Net increase in fair value of investments	+
	Interest, dividends, and other	+
	Total Investment Earnings	=
	Less investment costs	+
	Net investment earnings	=
<b>Interfund activity</b>	Contributions to investment trust	+
	Additions to custodial fund	+
<b>Other</b>	Miscellaneous	+
<b>Total Additions</b>		=

Expect audit questions if big

# Statement of Changes – Deductions



		Custodial	Investment Trust
	<b>DEDUCTIONS</b>		
<b>Distributions</b>	Distributions to local governments	+	
	Distributions to beneficiaries	+	
	State remittance	+	
<b>Payments</b>	Vendor, payroll, and other payments	+	
<b>Expense</b>	Administrative expense	+	
<b>Interfund activity</b>	Deductions from custodial fund	+	
	Disbursements from investment pool		+
<b>Other</b>	Miscellaneous	+	
	<b>Total Deductions</b>	=	=

Disaggregate deductions by **TYPE**  
(GASB 84, ¶23)

# Statement of Changes – Deductions



		Custodial	Investment Trust
	<b>DEDUCTIONS</b>		
<b>Distributions</b>	Distributions to local governments	+	
	Distributions to beneficiaries	+	
	State remittance	+	
<b>Payments</b>	Vendor, payroll, and other payments	+	
<b>Expense</b>	Administrative expense	+	
<b>Interfund activity</b>	Deductions from custodial fund	+	
	Disbursements from investment pool		+
<b>Other</b>	Miscellaneous	+	
	<b>Total Deductions</b>	=	=

Some distributions may be “in process” (GAAP)

# Statement of Changes – Deductions



		Custodial	Investment Trust
	<b>DEDUCTIONS</b>		
<b>Distributions</b>	Distributions to local governments	+	
	Distributions to beneficiaries	+	
	State remittance	+	
<b>Payments</b>	Vendor, payroll, and other payments	+	
<b>Expense</b>	Administrative expense	+	
<b>Interfund activity</b>	Deductions from custodial fund		
	Disbursements from investment pool		+
<b>Other</b>	Miscellaneous	+	
	<b>Total Deductions</b>	=	=

## Reminder

- Custodial/Investment will have interfund activity

# Investment



**Custodial**

—



Investment of custodial resources

**Investment**

+

**Investment**

—



Investment disbursements to custodial

**Custodial**

+





# Fiscal Agent for Joint Venture or a Fiduciary Component Unit

- Acting as fiscal agent for a joint venture (such as a SWAT team) **may** require additional line items:
- **For example:**
  - ✓ **Assets**
    - Capital Assets
  - ✓ **Additions**
    - Joint venture contributions
  - ✓ **Deductions:**
    - Depreciation (if reporting capital assets)

# How to Have a Smooth Audit – Investment Activity



County Policy &  
Written Procedures



Investment Agreement  
(if applicable)



Financial Statement / GL  
Reconciliation



Practice /  
Treasury Management



## How to Have a Smooth Audit



Don't wait until year-end

# Questions



# Information

Email: [LGCFeedback@sao.wa.gov](mailto:LGCFeedback@sao.wa.gov)

Website: [www.sao.wa.gov](http://www.sao.wa.gov)

Twitter: @WAStateAuditor

Facebook: Office of the Washington State Auditor

LinkedIn: Washington State Auditor's Office

