



TO: Elizabeth Pauli
FROM: Andy Cherullo, Finance Director -Finance Department; and Susan Calderon, Assistant Finance Director/Controller – Finance Department
COPY: City Council & City Clerk
SUBJECT: Request for Ordinance: New Fiduciary Fund
DATE: February 24, 2022

SUMMARY AND PURPOSE:

The Finance Department is seeking approval to establish a new Fund to segregate cash deposits that are being held in trust for others. This proposed Ordinance would help the City to comply with standards from the Governmental Accounting Standards Board (GASB) and generally accepted accounting principles (GAAP).

BACKGROUND:

The Governmental Accounting Standards Board (GASB) is the source of generally accepted accounting principles used by state and local governments. GASB is the authoritative body that establishes guidance on accounting and financial reporting for state and local governments.

In 2017, GASB issued GASB #84, to be effective for reporting periods beginning after December 15, 2018. GASB #84 requires that all funds being held for a third party be reported in a separate Fiduciary Fund. Currently, these funds are held in a sub-account within a special revenue fund. This proposed Ordinance would help the City comply with the requirements of GASB #84 for financial reporting.

Specifically, the Tacoma Police Department currently reports cash deposits being held in trust until various court cases are adjudicated within a special revenue fund. A new fiduciary fund is needed for these deposits in order to be in compliance with GASB #84.

COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:

2025 STRATEGIC PRIORITIES:

Equity and Accessibility: (Mandatory)

Continued clarity in financial reports helps users maintain belief and trust in the City and with the City’s reporting and are able to ask informed questions.

ALTERNATIVES:

Presumably, your recommendation is not the only potential course of action; please discuss other alternatives or actions that City Council or staff could take. Please use table below.

| Alternative(s) | Positive Impact(s) | Negative Impact(s) |
|--|---|---|
| 1, Continue to manually separate the deposits. | Deposits will be easily identified within the City’s system of record (SAP) | Difficult to ensure proper reporting structure for any new staff or auditor |
| 2. | | |
| 3. | | |



EVALUATION AND FOLLOW UP:

Annual financial report will have a new fiduciary fund that brings clarity to the user and continues to reflect the City's high regard for proper reporting.

STAFF/SPONSOR RECOMMENDATION:

Staff is recommending the creation of a new Fiduciary Fund to be in compliance with governmental accounting standards.

FISCAL IMPACT:

Please provide a short summary of the fiscal impacts associated with the grant, agreement, policy action, or other action.

| Fund Number & Name | COST OBJECT (CC/WBS/ORDER) | Cost Element | Total Amount |
|--------------------------------|-------------------------------|--------------|--------------|
| 1. 1267 Police Special Revenue | 879200 | 6530200 | 60398 |
| 2. Custodial Forfeitures | New Cost Center | 6311000 | (60,398) |
| TOTAL | | | |

What Funding is being used to support the expense? Cash will be transferred from the Police Special Revenue Fund 1267 to the new fiduciary fund.

Are the expenditures and revenues planned and budgeted in this biennium's current budget?

NO, PLEASE EXPLAIN BELOW

Balance in the fund is held for third parties until adjudicated. Budget is not affected.

Are there financial costs or other impacts of not implementing the legislation?

YES

Will the legislation have an ongoing/recurring fiscal impact?

NO

Will the legislation change the City's FTE/personnel counts?

NO

There are no personnel costs in the 1267 sub-fund and there will be none in the new fiduciary fund.

ATTACHMENTS:

N/A