



## Fiduciary Funds

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Dear Reader:

The following document was created from the MTAS website ([mtas.tennessee.edu](https://www.mtas.tennessee.edu)). This website is maintained daily by MTAS staff and seeks to represent the most current information regarding issues relative to Tennessee municipal government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with municipal government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other MTAS website material.

Sincerely,

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## Fiduciary Funds

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According to the GAAFR (the Blue Book), fiduciary funds are “used to account for resources that a government holds as a trustee or agent on behalf of an outside party that cannot be used to support the government’s own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and agency funds.” Examples of fiduciary funds a city may have include a law enforcement trust fund and firemen’s pension fund.

There is, in effect, no limit on the number of funds that a city can establish. However, since each new fund adds to the complexity of the city’s financial operations and takes away flexibility, it is advisable to keep the number of funds as low as possible within legal and financial requirements.

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