

COUNTY OF MILWAUKEE
Inter-Office Communication

Date: August 15, 2025

To: Marcelia Nicholson, Chairwoman, Milwaukee County Board of Supervisors

From: Liz Sumner, Comptroller, Office of the Comptroller

Subject: Requirements for the Establishment of a Trust Account

File Type: An informational report from the Milwaukee County Comptroller regarding the necessary requirements for County departments to establish and maintain trust accounts in compliance with Wisconsin State Statutes, Milwaukee County Ordinances, and Generally Accepted Accounting Principles (GAAP).

EXECUTIVE SUMMARY

Milwaukee County may create a fiduciary trust account only when it controls assets held for others (not County operations) and the activity meets Governmental Accounting Standards Board (GASB) 84 criteria. A statute, court order, grant, or contract must authorize the arrangement, and the assets cannot be solely County revenues. The sponsoring department submits a memo defining purpose, beneficiaries, funding sources, and fiduciary compliance; the Comptroller reviews for GASB/GAAP fit and, if favorable, the department seeks County Board approval. After approval, the County sets up the account with the Comptroller and Treasurer and maintains required controls, reporting, and audit readiness under applicable Wisconsin law, County Ordinance §34.04, and Administrative Policy R-528.

REQUEST

This informational report provides guidance for Milwaukee County departments on how to properly establish and manage trust accounts in compliance with Wisconsin State Statutes, Governmental Accounting Standards Board (GASB) guidance, Generally Accepted Accounting Principles (GAAP), Milwaukee County Code of General Ordinances § 34.04(1), and County Policy R-528.

This guidance is intended to provide a general framework, recognizing that each situation is fact specific. Adherence to the defined process is essential to ensure proper classification and to support the County's compliance with applicable accounting standards and legal requirements.

POLICY

Wisconsin State Statutes:	§ 59.61(3), § 66.0603
Milwaukee County Code of General Ordinances:	§ 34.04(1)
Governmental Accounting Standards Board:	GASB 84
Related File Nos:	Res. 86-779(a)(a)

Trust and agency funds are established to account for assets that Milwaukee County holds in a trustee or custodial capacity for the benefit of individuals, private organizations, or other governmental entities. These funds do not belong to the County and must be managed in accordance with applicable legal, contractual, and accounting requirements.

Under Wis. Stat. § 59.61(3), counties are authorized to invest and manage all funds, including those held in a fiduciary capacity, in the county treasury not required to be retained for the county's immediate use. Additionally, Wis. Stat. § 66.0603 governs the handling of funds collected or held by counties and other municipal entities, including the use of separate accounts for special purposes or fiduciary responsibilities.¹

In accordance with **GASB 84 – *Fiduciary Activities***, fiduciary funds are used to report assets held by a government in a trustee or custodial capacity for the benefit of individuals, private organizations, or other governments. GASB 84 established clearer criteria for identifying fiduciary activities and required governments to assess whether they control the assets and whether those assets are held for the benefit of others, not the government itself.

¹ See Wis. Stat. 66.0603(1m)(b)6.

FIDUCIARY ACTIVITIES UNDER GASB STATEMENT NO. 84

GASB Statement No. 84, Fiduciary Activities, provides guidance on identifying and reporting fiduciary activities, including trust funds, within governmental financial statements.



Control of Assets

The government must control the assets



Source of Assets

Assets must not be derived solely from government's own-source revenues or nonexchange transactions



Trust Agreement

Assets must be held in a trust or equivalent arrangement with a legally binding agreement

For a trust fund to be reported as a fiduciary activity, it must also benefit individuals, organizations, or other governments. This standard ensures greater transparency and consistency in how governments report fiduciary responsibilities, particularly in distinguishing between custodial and trust arrangements.

Milwaukee County's internal financial policies, including MCGO § 34.04(1) and Administrative Manual Policy R-528, provide procedural guidance for initiating and maintaining trust accounts. This includes the requirement for departments to request approval from the Office of the Comptroller and provide supporting documentation that establishes the legal or contractual basis for the trust, the intended purpose, and the department's fiduciary responsibilities.

REQUIREMENTS

NECESSARY REQUIREMENTS FOR ESTABLISHING A TRUST ACCOUNT

PRELIMINARY ASSESSMENT



The department must assess whether the fund meets the definition of a fiduciary activity—specifically whether the County will hold the assets for the benefit of others and not for County operations.

DOCUMENTATION OF LEGAL AUTHORITY



Departments must provide supporting documentation establishing the legal or contractual basis for the trust account. This may include:

- Wisconsin State Statutes
- Court orders
- Grant agreements
- Memoranda of Understanding (MOUs), or
- Other binding agreements

SUBMISSION TO THE OFFICE OF THE COMPTROLLER



A formal request must be submitted to the Office of the Comptroller, including:

- A justification memo
- Source and purpose of funds
- Proposed use and beneficiaries
- Accounting and reporting structure
- Designated contact responsible for fund oversight

COMPTROLLER REVIEW



The Comptroller's Office will evaluate the request for compliance with GASB 84, GAAP, County Policy R-528, and relevant state statutes. The Office may consult with Corporation Counsel if necessary.

DEPARTMENT RESPONSIBILITIES

Department Responsibilities for Trust Accounts

(Per Milwaukee County Policy R-528)



1. Purpose & Use

- Use funds only for the legally established purpose
- No commingling of trust assets with County operating funds



2. Internal Controls

- Implement separation of duties
- Ensure secure handling of receipts and disbursements
- Perform regular account reconciliations



3. Financial Reporting

- Maintain accurate, up-to-date records
- Submit required reports to the Comptroller's Office
- Ensure activity aligns with GASB and GAAP standards



4. Monitoring & Compliance

- Monitor fund activity for legal and policy compliance
- Notify the Comptroller of any changes to purpose, funding, or structure
- Comply with Policy R-528 and relevant statutes



5. Record Retention

- Retain supporting documentation in accordance with County records policies

STANDARDIZED PROCESS FOR ESTABLISHING A TRUST ACCOUNT

The following is a detailed, standardized process for Milwaukee County departments to follow before seeking County Board approval for the creation of a trust account, ensuring full compliance with Wisconsin State Statutes, GASB 84, GAAP, Milwaukee County Code of General Ordinances § 34.04(1), and Administrative Manual Policy R-528.

1. Departments should determine whether the proposed activity qualifies as a fiduciary trust under GASB 84.
 - a. Departments shall confirm that the County will hold and control assets for the benefit of individuals, organizations, or other governments.

- b. Ensure the assets are not derived solely from County revenues or internal operations.
 - c. Verify the existence of a legally binding agreement and provide proof that the establishment of the trust account is legally authorized (e.g., statute, court order, grant).
 - i. Acceptable Documentation:
 - 1. Wisconsin State Statutes
 - 2. Court orders or judgments
 - 3. Grant agreements
 - 4. MOUs or contracts with other entities
 - 5. Any legally binding instrument creating the fiduciary responsibility.
- 2. Draft a Justification Memo to formally articulate the need for the trust account.
 - a. The memo should include:
 - i. Purpose of the trust
 - ii. Source of funds
 - iii. Intended use and beneficiaries
 - iv. Compliance with GASB 84 and Administrative Manual Policy R-528
 - v. Explanation of how the trust meets fiduciary criteria
 - vi. Signed and designated department contact for fund oversight.
- 3. Submit Request to Comptroller's Office
 - a. The request should include:
 - i. The justification memo
 - ii. Legal authority documentation or supplemental info (grant terms, award letters, reporting requirements).
 - b. The office of the Comptroller will:
 - i. Review alignment to GASB 84
 - ii. Review adequacy of supporting documentation
 - iii. GAAP-compliant reporting structure.
 - iv. Provide recommendation for department to submit to the County Board.
 - v. Establish financial controls
- 4. Departments should prepare and present a comprehensive action report to the County Board.
- 5. Upon approval, departments should establish the accounting and banking infrastructure with The Office of the Comptroller and the Treasury Department respectively.
 - a. Accounting
 - i. Assign Fund and account code within the County's financial management system.
 - ii. Departments shall create the required Trust and Agency documents required by the Comptroller's Office.
 - b. Banking

- i. Work with the Milwaukee County Treasurer's Office to create an appropriate bank account.
6. Ongoing Monitoring and Reporting
 - a. Departments will be responsible for:
 - i. Maintaining accurate accounting records
 - ii. Adhering to reporting and audit schedules
 - iii. Responding to requests from the Comptroller, Treasurer, or auditors.
 - iv. Maintain ongoing compliance and audit-ready documentation.

ALIGNMENT TO STRATEGIC PLAN

3B: Enhance the County's fiscal health and sustainability

This report aims to provide a clear framework for County departments to ensure that any trust or custodial accounts are:

- Properly classified as fiduciary under GASB 84,
- Established in compliance with Wisconsin State law,
- Managed transparently with adequate oversight,
- And reported accurately in the County's financial statements.

FISCAL EFFECT

This informational report has no fiscal impact.

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