March 31, 2016

GASB
Attn: Director of Research and Technical Activities
Project No. 3-13E
Email: director@gasb.org

Thank you for the opportunity to comment on the GASB Exposure Draft (ED), *Fiduciary Activities*. The Financial Reporting Section within the Wisconsin State Controller’s Office is responsible for preparing the State of Wisconsin’s Comprehensive Annual Financial Report (CAFR).

Our comments are as follows:

1. Paragraph 7b is confusing and it is difficult to understand even when considering the explanation in paragraph B14. Given the importance of the content of paragraph 7b, we suggest GASB try to rephrase the concept to be more intuitive. In addition, we request GASB provide further explanation in the basis for conclusion.

2. We do not agree that component units that are fiduciary in nature should be reported as fiduciary activities (funds) of the primary government. It is unclear how the inclusion of those legally separate entities as fiduciary activities would provide clarity to users of the financial statements. The reporting of component units is already confusing for users to understand and difficult for preparers to implement. We believe a discrete presentation of component units in the CAFR is more distinct to readers of the primary government CAFR. Referring CAFR readers to the stand alone component unit financial statements for more information also provides a useful distinction.

3. We agree renaming “agency” funds to “custodial” is a presentational improvement. However, we don’t believe that the expansion of the agency funds’ statement of changes in assets and liabilities to a statement of changes in fiduciary net position will add much value. The very nature of those funds is such that cash comes in and cash goes out and the reporting government does not have use of those funds. To expand the presentation beyond that will require resources and training to implement with not much benefit.

4. We believe it could be administratively difficult to consistently ascertain if financial resources will be held three months or less for custodial funds (paragraph 21). Further, if there was a one-time problem in disbursing the funds, governments would have to change their reporting for that year. This seems to point in the direction of not aggregating information even if the option is available. Thus, the option to aggregate may not actually be very beneficial.

5. The presentation on page 23 reflects net position as “restricted” rather than as “held in trust”. The proposal did not specifically address how net position was to be presented. If the presentational requirements have not been changed for net position, we request GASB change the appendix D presentation to be consistent with existing standards.
6. Paragraph 25 states “the provisions of this statement should be applied retroactively by restating financial statements, if practicable, for all prior periods presented.” Paragraph B47 states “the Board believes that reasonable efforts should be deployed before a government determines that restatement of all prior periods presented is not practicable. In other words, inconvenient should not be considered equivalent to not practicable”. Practicable means possible. We believe this is a notably higher standard than the old GASB requirement of practical which means sensible, likely to be effective. We agree that reasonable efforts should be taken to restate when implementing a new standard. However, restating prior year financial statements, note disclosures, and management discussion and analysis, especially for the technically complex standards recently issued by GASB, presents significant challenges for preparers and auditors. By changing the word to “practicable” GASB may inadvertently be encouraging preparers to present just one year of information rather than comparative statements. We encourage GASB to return to the use of the word “practical” as an effective alternative to “practicable”.

7. We remain concerned with the number of GASB standards being proposed or issued. A recent GASB newsletter noted that eight new standards had been issued in 2015 with more planned for 2016 (four EDs have been issued so far with response dates in 2016). The article explained that few governments have to implement all new standards and implementation dates are staggered. However, we noted that the implementation of the proposed fiduciary activities statement is effective the same year as the OPEB statements. Both statements are expected to consume significant resources on research, planning, implementation, training and conversion of reporting processes and systems.

If you have questions on our comments, please contact me at 608-266-3052.

Sincerely,

Cindy Simon, CPA
Director of Financial Reporting
Wisconsin Department of Administration

cc: Jeff Anderson, Wisconsin State Controller
    Kim O’Ryan, NASACT