March 25, 2016

Mr. David Bean
Director of Research and Technical Activities
Governmental Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: Project No. 3-13E, Fiduciary Activities

Dear Mr. Bean:

The Maryland State Comptroller’s General Accounting Division is pleased to have the opportunity to provide our response to the Governmental Accounting Standards Board (the Board) on the Exposure Draft of Fiduciary Activities.

This proposed Statement would enhance consistency in the application of financial reporting requirements for establishing specific criteria for identifying activities that should be fiduciary activities and clarifying whether business – type activities should report their fiduciary activities. We agree with the proposed Exposure Draft. We do not believe there would be substantial costs for the Maryland State Comptroller’s General Accounting Division to implement this Statement.

Identifying Fiduciary Activities and Reporting Fiduciary Component Units

Paragraph 9. Component units that are fiduciary in nature also should be reported as fiduciary activities of the primary government. A component unit is fiduciary in nature if the assets from its activities meet one of the criteria in paragraphs 7a-7d or one of the criteria in paragraphs 8a-8c.

Paragraph 23. When reported in the fiduciary fund financial statements of a primary government, a fiduciary component unit should include the combined information of its own component units that are fiduciary in nature. That combined information should be aggregated with the primary government’s fiduciary funds guidance provided in paragraphs 11-15.

Comment: One of Maryland’s component units has been presented as a discretely-presented component unit because, although it has its own private-purpose trust fund, is not fiduciary in nature. The purpose of the private-purpose trust fund is to account for the operations of regional landfills operated for the benefit of the several counties. The counties have the ultimate responsibility for payment of operating expenses and debt of the facility. However, the component unit’s non-fiduciary activities account for 71%, 72%, 96% and 97% of assets, liabilities, operating revenues and operating expenses, respectively, of the component unit’s total activities.
Under the proposed guidance in paragraph 9, a component unit is fiduciary in nature and reported as fiduciary activities of the primary government if it meets one of the criteria in paragraphs 7a-7d or 8a-8c. The private-purpose trust fund appears to meet the criteria of par. 7c for reporting as a fiduciary fund, which would require the component unit to report as a fiduciary fund. Therefore, we believe a more in-depth review is needed to determine whether component units meet the criteria for fiduciary activities. We recommend the Board consider providing specific accounting guidance for reporting component units with fiduciary funds of their own as fiduciary funds of the primary government.

Sincerely,

[Signature]

Kenneth Henschen, CPA
Assistant Director

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