March 6, 2015

To Whom It May Concern,

We appreciate the opportunity to respond to the preliminary views of the Governmental Accounting Standards Board (GASB) on Financial Reporting for Fiduciary Responsibilities. In general, we agree with the Board’s preliminary views regarding the reporting of activities in which a government has a fiduciary responsibility. However, we do have some comments and suggestions as noted below.

In paragraph 4 of Chapter 1, the Board specifically references the example of child support funds classification as “a noticeable inconsistency in classifying activities as private-purpose trust funds or agency funds.” The Board then describes that this preliminary views document will propose “revisions to the descriptions of individual fiduciary fund types to resolve that inconsistency.” However, we see no further discussion of child support funds throughout the remaining chapters of the preliminary views document. When we reviewed the current presentation of our own child support funds, we could see nothing that would impact the current presentation.

If the Board intends to resolve the inconsistency of how child support funds are classified in fiduciary fund statements, we believe the Board should add discussion that could at least be carried forward to the Basis for Conclusions of the eventual standard that specifically speaks to the nature of the inconsistencies and how the standard is resolving the issue.

We do not understand the relevance of the criteria in paragraph 6c of Chapter 2 describing that the beneficiary is not required to be part of the citizenry. We believe this criteria is not relevant or significant when establishing whether a fiduciary responsibility exists, particularly when citizenry is defined as including “residents of general purpose governments.” For example, if a government holds assets in a fiduciary capacity for an individual residing in a state correctional center, by definition that individual is a resident of the general purpose government and part of the citizenry. However, by applying the criteria in paragraph 6c, it now appears that a fiduciary responsibility has not been established and that activity would have to...
be reported as either governmental or business-type activities of the primary government. We believe it would be misleading to include those assets in the primary government’s financial statements as they do not have “present service capacity” to that government.

We believe that the Board could further clarify some of the guidance in Chapter 3 as it relates to determining whether a government has control of the assets. Specifically, in paragraph 10b, we believe the Board could provide more clarification and an example on the meaning of the government’s ability to “reassign responsibility.” For instance, it is not clear whether termination of a contract as a result of breach or lapse of time would constitute a government’s ability to reassign responsibility. The Board’s contract example in paragraph 10b addresses a very specific type of contract, when it may be more appropriate to use a broader example of a contractual relationship or to provide additional examples.

We appreciate the efforts of the Governmental Accounting Standards Board and the opportunity to provide our comments. Should you have any questions or need additional information concerning our response, please contact Zach Borgerding or me at (804) 225-3350.

Sincerely,

Martha S. Mavredes
Auditor of Public Accounts