COMMONWEALTH of VIRGINIA

VIRGINIA COLLEGE SAVINGS PLAN
9001 Arboretum Parkway, North Chesterfield, VA 23236

March 5, 2015

Director of Research and Technical Activities
Project No. 3-13P
Governmental Accounting Standards Board
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To Whom It May Concern:

We appreciate the opportunity to respond to the preliminary views of the Governmental Accounting Standards Board (Board or 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 have some comments and suggestions as noted below.

We request additional clarification as to the reporting considerations for stand-alone BTAs that have fiduciary responsibilities. Paragraph 31 of Chapter 4 implies that the fiduciary activities of a BTA program that has historically been reported as an enterprise fund would need to be reported in separate fiduciary fund financial statements. We question how to differentiate the fiduciary activities for certain BTA programs from traditional enterprise fund activities. For example, a prepaid 529 program will execute contracts with participants to provide for the payment of tuition and fees in the future for the program’s beneficiaries. In general, participants will provide payment for the contracts either upfront or over time, and benefits will be paid once the beneficiaries attend college. A prepaid program that executes contracts, collects payments and fees, invests funds, and distributes the funds for tuition and fees has fiduciary duties, both to the participants and to the general government. However, the 529 plan and the prepaid program are business type activities and are properly accounted for and reported as an enterprise fund. Bifurcating the fiduciary activities from the business type activities would be problematic at best, but would result in a more confusing and less transparent financial statement presentation.
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We also request clarification as to the recognition of a liability for a prepaid 529 plan. Paragraph 19 of Chapter 4 states that “… in some college savings plans, the government would not be compelled to disburse the fiduciary resources until the beneficiary is obligated for tuition.” This paragraph implies that the Board intends that the liability for any college savings plan not be recognized until the beneficiary (or account owner) requests a distribution to pay college costs. This logic may apply to defined contribution college savings plans, but would not apply to prepaid college savings plans that are defined benefit plans under which the liability is established once the contract has been executed and the participant has satisfied their obligation for payment. As with any defined benefit plan (e.g., defined benefit pensions), the liability exists once the contract is executed and grows actuarially as the beneficiary ages.

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 Gary Ometer at (804) 371-0788.

Sincerely,

Mary G. Morris

c: Martha S. Mavrides, Virginia Auditor of Public Accounts
Gary Ometer, Chief Financial Officer