DATE: February 27, 2015
TO: Director of Research and Technical Activities
    Project No. 3-24P
FROM: Teresa MacCartney, State CFO, Director of OPB
       Alan Skelton, State Accounting Officer
RE: Financial reporting for Fiduciary Responsibilities – Preliminary Views

On behalf of the State of Georgia, we appreciate the opportunity to respond to the Governmental Accounting Standards Board’s Preliminary Views (PV), Financial Reporting for Fiduciary Responsibilities. We generally agree with the provisions of the PV and believe that it will improve financial reporting. However, we have the following specific comments that we believe the Board should consider as it finalizes this statement.

Chapter 1

Paragraph 4

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 the PV will propose “revisions to the descriptions of individual fiduciary fund types to resolve that inconsistency.” Without knowing the specific inconsistency related to child support funds it is hard to determine how the standard resolves this issue.

Chapter 2

Paragraph 3

This paragraph is key to understanding how to apply the PV, but unfortunately the paragraph has several references, and even a self-reference, that it is difficult to understand what the Board intends. The first sentence in the paragraph states “…for which a government is a fiduciary…”; however, the term fiduciary is not explained until paragraph 5 which begins: “To determine whether a government is a fiduciary…” As this project moves forward into an ED, we ask the Board to more clearly explain these important aspects of the proposed standard.
Paragraphs 3b and 4

As this project moves forward into an ED, we ask the Board to more clearly explain these important aspects of the proposed standard. A flow similar to Table 1 would be very beneficial.

Paragraph 6.a.

We ask the Board to consider the way fiduciary activity is defined as it moves forward to an ED. If a government is a recipient of a pass-through grant, we believe that the government usually has some substantive level of administrative oversight responsibilities. This view is consistent with audit requirements for federal grants in OMB Circular A-133 that impose compliance and audit requirements on pass-through grant recipients.

Chapter 3

Paragraph 10.b.

We request that the Board provide more clarification and an example on the meaning of the government's ability to "reassign responsibility."

Chapter 4

Paragraph 7

Please provide clarification as to what constitutes an "equivalent arrangement." A definition and some examples are needed for consistent application.

Paragraphs 25-30

We request that the Board make clear how a fiduciary component unit aggregates into the primary government's financial statements. For instance, if a fiduciary component unit has multiple columns (e.g., investment trust, private purpose trust, and custodial funds), we would presume that each fund type would roll into and aggregate with the primary government's respective fund type, rather than the primary government incorporating a single combined aggregation of the component unit.

Further, if the component unit has its own component unit that is fiduciary, but of a different fund type (e.g., component unit is an investment trust fund type and its component unit is a custodial fund), we would presume the primary government would place information about the component unit and its component unit into the two respective fund types of the primary government, rather than an aggregate amount into only one column of the primary government's financial statements. We suggest that any future due process document's provisions explicitly cover this aggregation requirement complexity so that respondents can weigh in on the appropriateness of any proposed reporting requirements.
**General Comments**

We strongly request that the Board carry forward the flowcharts and exhibits to the ED and final standard because they provide useful tools in assisting preparers and auditors in determining the appropriate presentation and fund type. In many cases, these flowcharts and exhibits are clearer and easier to understand than the written text itself.

We appreciated the opportunity to provide our thoughts on the proposed statement and hope the Board will consider our feedback when determining how to proceed.

Respectfully submitted,

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Alan Skelton  
State Accounting Officer