February 6, 2015

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

Re: Preliminary Views on Financial Reporting for Fiduciary Responsibilities (Project No. 3-13P)

Dear Sir:

The Michigan Government Finance Officers Association (MGFOA) has reviewed the Preliminary Views of the Governmental Accounting Standards Board on Financial Reporting for Fiduciary Responsibilities, dated November 11, 2014. We offer the following comments and observations:

Fiduciary Responsibility Definition

Through our review of the preliminary views statement we noticed that the definition for fiduciary responsibility was provided in the summary and again in Chapter 2 – applicability and scope. Our concern is that the term fiduciary responsibility is also used in Chapter 1 – objective and background, without being described previously within the body of the statement.

Table 1 – Flowchart for Evaluating and Reporting Potential Fiduciary Activities

We support the board's use of the flowchart for evaluation and reporting potential fiduciary activities and found the flowchart very useful during our evaluations of potential fiduciary activities. Through these evaluations we noted that there are several double negatives within Table 1 that added confusion to the evaluation process. We recommend that the double negatives are removed from the table to simplify the evaluation process.

Table 2 – Determination of Whether the Government Has Control over the Assets

Based on our evaluation of several potential fiduciary activities we are concerned that additional activities will be included in the financial statements that might not be the intent of the board. One such example would be the control a government has over a 403(b) plan. Through our analysis of Table 2, it was determined that a typical 403(b) plan would have a legally separate entity that is responsible for holding or acting as trustee and also the government would have the ability to assign and reassign the responsibility for administering the exchange of assets. In this situation we believe that the government would no longer have control over the assets as the responsibility for the exchange of assets has been assigned to a legally separate entity, acting as the trustee.
Controlling Assets as a Fiduciary

We are concerned that exclusion of a government's own-source revenues (i.e., tax revenues) from the scope of fiduciary responsibilities would have a change in current practice of reporting for current tax collection funds and the activity within those funds. We would like additional clarification from the board on the proper reporting of these activities.

Recognition of a Liability in Fiduciary Funds and Reporting Additions and Deletions

We would like additional clarification from the board on the reporting of additions and deletions, this may include an example schedule within an appendix in the exposure draft.

Additionally our concern in this area is in regards to the preliminary view that a liability should be recognized in fiduciary funds when an event has occurred that compels a government to disburse fiduciary funds, in this case of an activity where just a liability was recognized you would not have additions and deletions to report in the statement of changes in fiduciary net position. We would like additional clarification from the board on the proper reporting of these activities.

These comments represent the consensus opinion of the Accounting Standards Committee and have been approved by our Board of Directors. Thank you for your consideration and the opportunity to express our points of view.

Very truly yours,

Edward J. Sell Jr., President
Michigan Government Finance Officers Association