Financial Reporting for Fiduciary Responsibilities

I am Denise Juvenal this is pleasure to have the opportunity to comment on this consultation, about Financial Reporting for Fiduciary Responsibilities of the Governmental Accounting Standards Board - GASB, this is my individual commentary. I agree with this proposal and this is a great project. I described some points as follows:

In this discussion the Objective and Background have good insights principally in the point 18 - page 5 that described: “The Board believes that the provisions in this Preliminary Views would enhance the consistency and comparability of the reporting of fiduciary activities. The changes being proposed would provide users with information to assess a government’s accountability for its fiduciary activities.”

Although, Reck and Wilson (2014) cited that “because of the difficulty of obtaining financial information for municipalities, our sample was restricted to only those cities that (1) had bond issues and published comprehensive annual financial reports for the relevant years on their websites, and (2) had fully complied with GASB Statement No. 34.” I suggest for the Board’s, if agrees, that in this point that in relation the users for fiduciary activities, observes the impact of information for users considering the difficulties, if persist, in relation municipalities, I agree with this proposal.

However, The Applicability and Scope in the point 9 - page 11, when the Board’s explains about: “The Board believes that indirect control over fiduciary resources by beneficiaries does not override or diminish the control over those resources vested in a government as the fiduciary.”; and the point 18 - page 13,
explains: “The Board concluded that including the phrase a government’s own programs in the description of a fiduciary would likely result in a statement of what a fiduciary is not, rather than what a fiduciary is, and would necessitate defining government programs. The Board determined that the phrase a government’s own programs would be difficult to define in a manner that would be universally applicable and is therefore potentially ambiguous.”

I understand that is important the procedures of internal control for the government, principally for internal audit of public sector for this. The fiduciary can imply in new evidence for clarify the method of measurement or valuation of assets for the public sector, if the Board’s agrees, one example for this point is the next point about: The Determining Whether a Government Is Controlling Assets as a Fiduciary cited in the page 20 - point 16: “The Board believes that the responsibilities of the government for administering the exchange of assets should be considered in conjunction with the legal structure in these instances.”

In relation the Financial Reporting for Fiduciary Activities I described two points: in the point 2 - page 23 cited: “Current standards require reporting of fiduciary activities in four types of fiduciary funds in the basic financial statements, as appropriate: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The Board’s preliminary view is that fiduciary funds should continue to be used to report the fiduciary activities of a government in its basic financial statements.” and in the page 29 - point 29 “A fiduciary component unit does not have a counterpart to the government-wide statements, and its totals would come from the fiduciary fund financial statements, which would include its fiduciary component units. As discussed in paragraph 23 of this chapter, there is some uncertainty about whether the provision to exclude a component unit’s fiduciary component units applies to all component units. The Board believes that the preference given to fiduciary relationships in Statement 14 leads to the conclusion that component units that are fiduciary in nature should include their fiduciary component units when presented in a primary government’s financial statements.”

Henry et al. (2010), cited in the page 16 “Governmental accounting has two unique features: encumbrance accounting and interfund transfers. Encumbrance accounting requires the recording in governmental funds of purchase orders or contracts for goods or services when the goods or services are ordered. This commitment to pay for goods and services allows the School District to monitor its current budget more closely. The encumbrance is reversed when the goods or services are received and the expenditure is actually recorded in the funds. Goods or

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services that have not been received by year-end will show an outstanding encumbrance for the year, representing a commitment to pay resources from this year’s budget when the goods or services are received in the next year.”

So, for this point, I suggest for the Board’s if agrees, that observes what is the best model for internal control for fiduciary, the government is very complex and I do not know if the public sector has internal structure for development high quality informations for this point, is very important the GASB Board’s consults others organizations for development method for internal control process for fiduciary. I agree with this proposal.

Thank you for opportunity for comments this proposal, if you have questions do not hesitate contact to me, rio1042370@terra.com.br.

Best Regards,
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