



February 27, 2019

Mr. David Bean
Director of Research and Technical Activities
Governmental Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856-5116

Dear Mr. Bean:

On behalf of the National Association of State Auditors, Comptrollers and Treasurers, we appreciate the opportunity to respond to the Governmental Accounting Standards Board's Exposure Draft (ED), *Fiduciary Activities* proposed Implementation Guide.

We generally agree with the provisions of the ED. However, we have the following specific comments that we believe the Board should consider as it finalizes this guidance.

Questions 4.1, 4.2 and 4.3

The answers to these questions provide that in the instance of a "trust" the pension or OPEB plan will always be a separate legal entity; however, in the case of an "equivalent arrangement" the pension or OPEB plans may or may not be a separate legal entity. We believe clarification of the reason for the difference in the treatment of these two types of entities would be helpful. We suggest the Board clarify when Statement 84 and the implementation guidance is using "trust" to refer to only trusts and when it is referring to trusts and equivalent arrangements and how Statement 84, paragraph 7's statement applies differently to each of those.

Question 4.11

The answer's last sentence indicates that the seized financial assets and related liability should be reported as a fiduciary activity until a judgment is rendered. It appears a government should report net position restricted for individuals rather than a liability. In this situation, it does not appear that the government is compelled to disburse the seized financial assets until judgment is rendered because the defendant being found not guilty seems to be a condition that the beneficiary must meet before the government can disburse the fiduciary resources (Statement 84, paragraph 21). We suggest the Board either change "related liability" to "related net position," or explain why the government would record a liability in accordance with paragraph 21.

We believe that the answer paragraph should include a reference to Statement 84, paragraph 11b and 11c(2), as they provide guidance related to the question, so readers can easily locate the requirements in the Statement.

We request that the answer paragraph clarify that the guidance does not apply to seized property (vehicles, firearms, real estate, etc.), as they would be nonfinancial assets.

Questions 4.12 and 4.13

The answers include examples of when contractor deposits would not be considered fiduciary activities. We request that an example be included of when external entity deposits to a governmental entity would be considered a fiduciary activity.



We believe the answer for 4.12 could be improved by providing the correct accounting for the transaction. For example, this could be done by adding "... as a restricted asset and offsetting liability" to the end of the last sentence of the answer.

Question 4.16

We request that the Board provide further guidance in the answer to address whether the clearing account should be reported in a single governmental or proprietary fund, or whether the clearing account's assets and related liabilities should be reported in the various funds that incurred the liabilities. In addition, it would be helpful if the answer included more information regarding employee payroll deductions. We also believe it would be helpful if the Board provided further clarification by including an immediate subsequent question that asks if the activity described in 4.16 would be reported in a fiduciary fund if the clearing account to accumulate resources were from withholding of supplier/vendor withholding deductions instead of the government's own employees.

Questions 4.17, 4.29 and 4.35

We believe these questions are confusing because they appear to only address one aspect of whether the activity is fiduciary, and we believe it would be more useful to walk through the entire scenario of whether it meets all of the criteria to qualify as fiduciary.

Question 4.30

We suggest that the question be expanded to include a common situation where a county government provides accounting and treasury services to other governments pursuant to law. For example, the question could be revised to read: "A county government has custody of resources pursuant to state statute or a nontrust agreement with a separate government or an NFP ..." and so on.

Question 4.32

We request that guidance be included to address a situation where the assets are held by the third party and are in a state investment account. Could the state be deemed as holding the assets and thus controlling the assets since the investments were held in the state's name by the third party?

Question 4.36

We request that the Board include either a narrow definition of "shared revenue," or contrast it to more common situations where one government collects a tax, fee or fine and must remit a portion of it to other governments in accordance with statutes.

Question 4.41

The question mentions the assets of the pool are not held in a trust. We request clarification on when assets are considered to be "administered through a trust" (criteria in Statement 84, paragraph 11c(1)).

Question 4.45

We question if the excise tax based on the amount of rent paid should be considered an own-source revenue as defined in Statement 84, paragraph 13.



Liability to the Beneficiaries section (page 16)

We request that the Board include additional questions specifically clarifying when the government is compelled to disburse fiduciary funds as discussed in Statement 84, paragraph 21. For example, if disbursements related to the fiduciary activity are paid through an administrator and the administrator seeks reimbursement for disbursements on a bi-weekly basis, is the government compelled at the time the beneficiary's disbursement has been approved by the administrator, or when the administrator seeks reimbursement through the government?

Additional Comment

We believe that a question and answer to explain the difference in the financial reporting when the fiduciary activity is a component unit versus when it is not a component unit would be helpful.

We appreciate the opportunity to provide our comments. Should you have any questions or need additional information regarding our response, please contact Kim O'Ryan of NASACT at (859) 276-1147 or me at (602) 542-5405.

Sincerely,

A handwritten signature in black ink that reads "D. Clark Partridge". The signature is written in a cursive, flowing style.

D. Clark Partridge
President, NASACT
State Comptroller, Arizona