



February 28, 2019

David R. Bean, CPA  
Director of Research and Technical Activities  
GASB  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

**Re: December 17, 2018 GASB Proposed Implementation Guide, *Fiduciary Activities* (Project No. 3-13)**

Dear Mr. Bean:

The American Institute of CPAs (AICPA) is the world's largest member association representing the accounting profession, with more than 418,000 members in 143 countries, and a history of serving the public interest since 1887. One of the objectives that the Council of the AICPA established for the Private Company Practice Section (PCPS) Executive Committee is to speak on behalf of local and regional firms and represent those firms' interests on professional issues in keeping with the public interest, primarily through the Technical Issues Committee (TIC). This communication is in accordance with that objective. These comments, however, do not necessarily reflect the positions of the AICPA.

TIC appreciates the Board's work in developing an Implementation Guide to provide guidance that clarifies, explains, or elaborates on the requirements of Statement No. 84, *Fiduciary Activities*. TIC has some comments on a few of the questions and answers as noted below.

Question 4.17

*Q—The chess club of a public high school is established in accordance with the school's operating policies and is not legally separate from the high school. The club members organize and conduct fundraising activities to pay for the club's annual tournament and other club activities during the school year. The proceeds from the 7 fundraising activities are held in a separate bank account in the school's name. In determining whether those resources controlled by the school are a fiduciary activity, are the assets held for the benefit of individuals as addressed in paragraph 11c(2) of Statement 84 (and thus require evaluation of whether the school has administrative involvement or direct financial involvement), or do they benefit an organization as addressed in paragraph 11c(3) of Statement 84 (and thus require evaluation of whether the club is part of the primary government)?*

*A—Assets are for the benefit of an organization if the benefits accrue to the organization as an institution, rather than to the individuals that constitute the organization. However, in this*

*scenario, because the club is not legally separate from the primary government, it is not itself an institution. As a result, the provisions in paragraph 11c(2) of Statement 84 should be applied.*

TIC understands that the flowchart is meant to be applied simultaneously to all the items and not read from left to right. However, the way the flow chart is drawn, it appears to be contradictory to some of the other guidance, including this particular question and answer. While the flow chart is not authoritative, it provides useful visual guidance for walking through the process of determining whether activities are fiduciary in nature. TIC recommends including language, either in these Q&As or perhaps as a companion or footnote to the existing flow chart regarding the proper reading of the flow chart and how a user should interpret the diagram in specific situations to ensure that the visual does not confuse a reader.

#### Question 4.44

*Q—A state administers two investment pools, one for local governments and one for school districts. Neither of the pools' assets is held in a trust that meets the criteria in paragraph 11c(1) of Statement 84. As a result, the pools should be reported in the state's fiduciary fund financial statements as custodial funds. How would the two investment pools be reported in the custodial funds?*

*A—As required by paragraph 18 of Statement 84, the external portions of the two investment pools would be combined and reported in a single external investment pool fund column within the custodial funds classification in the basic financial statements.*

TIC believes that, since this is a new method of presentation, it would be more easily explained by using an illustration. A TIC member was able to find an illustration online that has been provided to the GASB staff, but it was not authoritative. TIC believes that including an illustration within this Implementation Guide would be useful.

#### Question 4.53

*Q—A public university that reports as a stand-alone business-type activity uses a single column for presenting its financial statements. The university has fiduciary component units that meet the criteria in paragraphs 6 and 8 of Statement 84. Is the university required to include fiduciary fund financial statements as part of its basic financial statements?*

*A—Yes. The university is required to include fiduciary fund financial statements as part of its basic financial statements. As indicated in paragraph 6 of Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, government-wide financial statements that include a single column presentation for a business-type activity should not include fiduciary activities. The university can, however, choose to apply the exception in paragraph 19 of Statement 84 to the extent that fiduciary assets are expected to be held for three months or less.*

TIC believes that an element of the fact pattern is missing in this question. Without additional information, the answer to the question does not align with the guidance. TIC recommends editing the question to include additional information.

#### **ADDITIONAL COMMENT**

TIC has an additional question related to county clerk collections. Property tax is always viewed as custodial, but the counties also collect significant amounts of other funds on behalf of other organizations. One example is at question 4.16 where they collect payroll withholding (could also include alimony, child support, etc.). TIC understands that payroll is deemed to be “own revenue” as it is an exchange transaction between the government and its employee. As such, TIC believes adding additional explanatory guidance indicating that the exchange relationship deems the relationship to be “own revenue” would be helpful.

TIC appreciates the opportunity to present these comments on behalf of PCPS member firms. We would be pleased to discuss our comments with you at your convenience.

Sincerely,

A handwritten signature in black ink that reads "Michael A. Westervelt". The signature is written in a cursive style with a large initial 'M'.

Michael A. Westervelt, Chair  
PCPS Technical Issues Committee  
cc: PCPS Executive and Technical Issues Committees