



January 17, 2018

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

Project: 36

Dear Mr. Bean:

On behalf of the Association of Government Accountants (AGA), the Financial Management Standards Board (FMSB) appreciates the opportunity to provide comments to the Government Accounting Standards Board (GASB) on its November 1, 2017 exposure draft entitled *Accounting and Financial Reporting for Majority Equity Interests, an amendment of GASB Statement No. 14*. The FMSB is comprised of 23 members (list attached) with accounting and auditing backgrounds in federal, state and local government, as well as academia and public accounting. The FMSB reviews and responds to proposed standards and regulations of interest to AGA members. Local AGA chapters and individual members are also encouraged to comment separately.

We appreciate the efforts of the GASB Board in addressing these issues in providing additional clarification and updating current standards. In total we support this standard but have a few comments as provided by members of the FMSB.

The exposure draft addressed issues relating to equity investments and component units. We encourage the GASB to review the current joint venture accounting and reporting provisions [GASB Cod Sec. J50] and align those joint venture standards to the approved standards if considered necessary. For example, if a local government has a joint venture in a water treatment plan and has less than majority interest does this standard apply?

In paragraph 6 the first sentence, it states that if the definition of an investment is not met the government should report the legally separate organization as a component unit. Based on the wording a non-investment majority equity interest should be reported as a component unit. We recommend GASB add that the unit should be reported as a component unit as long as it meets GASB 14 requirements.

We also noted in paragraph 6 that it seems to be redundant to have an equity portion of a discretely presented component unit in the government or fund that holds the equity interest. This can be confusing and a bit misleading to the reader to see an equity investment as well as the discretely presented component unit. If GASB believes this is the best presentation we recommend the equity investment in the primary government be presented as its own line items in the financial statements. We do appreciate GASB's statement on the assumption of the proper treatment of the blended component unit.

In paragraph B2 we noted this statement does not cover the proper treatment of a component unit that is less than 100% and how to treat the minority interest. One of our members noted there is a potential difference between the reporting of minority interests under GASB Cod. Sec. J50.112 and the reporting of the majority equity interest under GASB Cod Secs. I50.112-116. In circumstances where a government holds a majority interest in a joint venture, the government would have to calculate and report equity interest two different ways in their financial statements – under the equity method for their own interest and under existing guidance in GASB Cod Sec. J50.112 to report net position for the minority interest. We encourage GASB to provide guidance on the treatment of minority interest either in the exposure draft or in an *Implementation Guide* question until the potential project on the acquisition of less than 100 percent equity interest in component units is finalized (if at all).

In past responses we have expressed our belief of moving to a Codification of GASB standards. This exposure draft provides an example of someone having to not only refer to this standard but also to GASB 72 and GASB 62 as well as take into consideration of the exemption in paragraph 5 of the exposure draft. We understand this undertaking would require enormous amounts of resources which may not be available. In light of this, we recommend that when making changes in the codification instructions to show the revisions (underlining added words and striking through deleted wording) based on the new standard, so readers do not have to look up and compare the old with the new codification. Should this proposal be approved extant, luckily only GASB Cod Secs. 2100.712-2, 2600.116 and .128 and Secs. I50.108-.112 may change. We believe in the usefulness of the Codification and desire it to be a primary source for practitioners, rather than GASB Statement No. XX and then remembering where to find the information within the heavily edited GASB Statement No. 14. As such, this proposal would then be known as GASB Standards Update (GSU 2018-XX).

We appreciate the opportunity to comment on this document and will be pleased to discuss this letter with you at your convenience. If there are any questions regarding the comments in this letter, please contact me at (208)383-4756 or Lmiller@eidebailly.com.

Sincerely,



Lealan Miller, CGFM, CPA  
Chair- AGA Financial Management Standards Board

cc: James "Jim" R. Arnette, Jr. CGFM, CISA, AGA National President

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