



January 17, 2018

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), *Accounting and Financial Reporting for Majority Equity Interests*.

We generally agree with the provisions of the ED and believe the requirements will improve consistency in reporting for majority interest in legally separate organizations. However, we have the following specific comments that we believe the Board should consider as it finalizes this statement.

Paragraph 6

There is some concern about the provisions to report the majority equity interest in a discretely presented component unit as an asset in the acquiring entity or fund because it would result in duplication within the reporting entity as a whole. The proposed standard does not specify that a distinct line item or note disclosure be reported to highlight or disclose this duplicated amount, but we ask the Board to consider whether there should be further disclosure when amounts are significant or would otherwise be reported as investments when they are actually intra-entity balances. Finally, there is some confusion around the impact this proposed paragraph has, or doesn't have, with respect to the requirements of Codification J50.112, and if J50.112 is still appropriate considering the requirements proposed in this exposure draft. We ask the Board to consider whether further clarity is needed in this regard.

General Comments

- We believe the understanding of the proposed standard would be enhanced by the inclusion of examples of the instances to which it applies, focusing on decisions related to 100 percent interest, majority interest as an investment, and majority interest not as an investment. A discussion characterizing how often these different types of circumstances arise in state and local governments would help provide context. Perhaps this context can be included in the Basis for Conclusion in the final document.
- We have a general concern with the GASB's financial reporting entity guidance. Evaluating potential component units requires applying the appropriate standards at the appropriate time. Currently, pieces of guidance are contained in Statements 14, 34, 39, 61 and 80; and this ED is proposing yet another. It also appears that this guidance, as well as those contained in the statements referred to above, are in different sections of the Codification. We believe it may be time to consolidate all the reporting entity guidance into one comprehensive document and/or codified section. This would be helpful to preparers and make future amendments less confusing and possibly eliminate inconsistent applications.

National Association of State
**Auditors, Comptrollers
and Treasurers**



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) 553-0333.

Sincerely,

A handwritten signature in black ink, appearing to read "Debbie Davenport". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

Debbie Davenport
President, NASACT
Auditor General, Arizona