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January 18, 2018

Mr. David R. Bean  
Director of Research and Technical Activities  
Government Accounting Standards Board (GASB)  
Project No. 36  
401 Merritt 7, PO Box 5116  
Norwalk, CT 06856-5116

Re: Proposed Statement of the Governmental Accounting Standards Board *Accounting and Financial Reporting for Majority Equity Interests*

Dear Mr. Bean,

The Association of Local Government Auditors (ALGA) appreciates the opportunity to respond to GASB's exposure draft *Accounting and Financial Reporting for Majority Equity Interests*. ALGA represents more than 350 audit organizations and more than 2,200 members. This topic is of interest to our members, and we encourage individual audit organizations and members to comment independently should they choose to do so.

We have reviewed the exposure draft in its entirety and agree that the proposed statement will provide users with essential and consistent information related to presentation of majority equity interests in legally separate organizations.

There are five areas where we believe clarification would add value.

1. In the *Summary* section, it might be useful to add a brief definition of majority equity interest. The proposed Statement does not define what is meant by "majority." Providing this definition in the Statement would further improve the consistency of reporting by governments.
2. In the *How the Changes in This Proposed Statement Would Improve Financial Reporting* section the way in which information about the cost of services provided by the component unit in relation to the consideration provided to acquire the component unit could be expanded, as this does not seem to be emphasized in the Statement itself.
3. In the *Amendments to the Requirements for Reporting a Majority Equity Interest in a Legally Separate Organization* section, paragraph 4 refers the reader to Statement 72 for the definition of an investment. To improve on readability and understanding of an equity interest, consider including the definition of an investment in the amendment of Statement 14.

4. In the *Scope and Applicability of This Statement* section, paragraph 2, it might be useful to the reader to indicate the Statement excludes component units acquired with less than 100 percent equity interest. For example, the second sentence of the paragraph could state:

*This Statement also establishes guidance for reporting a component unit when a primary government acquires a 100 percent equity and excludes component units acquired with less than 100 percent equity interest.*

5. In the *Effective Date and Transition* section, paragraph 8, consider reorganizing the paragraph to improve readability of the information. For example, starting at the third sentence it could be changed to read as follows:

*Changes adopted to conform to the provisions of this Statement, except for paragraphs 6 and 7, should be applied retroactively by restating financial statements for all periods presented. If restatement for prior periods is not practicable, the following needs to occur:*

1. *For the earliest period restated, the cumulative effect, if any, of applying this Statement should be reported as a restatement of beginning net position (or fund balance or fund net position, as applicable), and*
2. *The reason for not restating prior periods presented in the financial statements should be disclosed.*

We agree that making the Statement effective for reporting periods beginning after December 15, 2018 is appropriate as it will provide governments with time to assess the impact of the change on accounting and reporting.

Thank you for the opportunity to provide input in the standards development process.

Respectfully submitted,

Nicole Rollins  
Chair, Professional Issues Committee

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