January 16, 2018

Director of Research and Technical Activities
Governmental Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

Project No. 36

Dear Sir:

We appreciate the opportunity to comment on the Exposure Draft, Accounting and Financial Reporting for Majority Equity Interests. Based upon our review of the proposed changes, we agree with the Board’s interpretation of majority equity interests. We believe the treatment of majority equity interests that meet the criteria of an investment per GASB Statement No. 72, Fair Value Measurement and Application, will provide a clearer understanding and transparency to government financial reporting.

If the primary purposes for a government to hold a majority equity interest in a legally separate entity are to generate income or profit and possess a present service capacity solely on the ability to generate cash or to be sold to generate cash, such as an investment, it is more appropriate to classify the legally separate entity as an investment. The Board’s distinction between an investment and component unit will improve consistency between government entities and clarify the existing standards.

Thank you for the opportunity to participate in the standard-setting process.

Sincerely,

Brenda Morris, CPA
Financial Services Director

Cc: Roberta Broeker - do