

Office of Statewide Reporting and Accounting Policy
State of Louisiana
Division of Administration

JOHN BEL EDWARDS
GOVERNOR



JAY DARDENNE
COMMISSIONER OF ADMINISTRATION

June 3, 2021

MEMORANDUM OSRAP 21-24

TO: Fiscal Officers
All State Entities

FROM: Lindsay Schexnayder, CPA
Director, Office of Statewide Reporting and Accounting Policy

SUBJECT: Implementation of Governmental Accounting Standards Board (GASB) Statement 90, *Majority Equity Interests*

In August of 2018 the GASB issued Statement 90, *Majority Equity Interests*, to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. GASB 90 defines an equity interest as:

- a financial interest in a legally separate organization through ownership of shares of the organization's stock; or
- a measurable right to the net resources of the organization that is based on an investment of resources by a government.

GASB 72, *Fair Value Measurement and Application*, defines an investment as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. If a government's majority equity interest meets the GASB's definition of an investment, the equity interest should be reported as an investment, not as a component unit of the government, and the investment should be measured using the equity method. However, a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment that holds a majority equity interest as an investment should report it at fair value.

If a government's holding of a majority equity interest in a separate legal organization does not meet the definition of an investment, the separate legal organization should be reported as a component unit.

Governments that acquire 100 percent equity interest in a legally separate organization should report the entity's assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value.

GASB 95, Postponement of the Effective Dates of Certain Authoritative Guidance, postponed the effective date of GASB 90 for one year. Statement 90 is now effective for reporting periods beginning after December 15, 2019, which is fiscal year ending 6/30/21 for the State's Comprehensive Annual Financial Report or for calendar year entities ending 12/31/20. Changes adopted to conform to the provisions of this Statement should be applied retroactively by restating financial statements, if practicable, for all periods presented. If restatement for prior periods is not practicable, 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) for the earliest period restated. Please contact OSRAP no later than June 30, 2021 if your agency is responsible for the administration of a majority equity interest that may meet the reporting requirements of GASB 90.

GASB 90 and the GASB 95 can be found on GASB's website at the following web address: <http://www.gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176160042391>. You may contact Mark Rhodes at (225) 342-0711 or via email at mark.rhodes@la.gov with any questions regarding GASB Statement 90.

LS/MR