Letter of Comment No. 6 File Reference: 3-17E Date Received: 5/24/12



## STATE OF TENNESSEE COMPTROLLER OF THE TREASURY DEPARTMENT OF AUDIT DIVISION OF STATE AUDIT

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May 24, 2012

David Bean
Director of Research
Project No. 3-17
Governmental Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Dear Mr. Bean:

On behalf of the Tennessee Department of Audit, we thank the GASB for the opportunity to comment on its proposed Exposure Draft (ED), *Government Combinations and Disposals of Government Operations*. We generally agree with the requirements of the ED.

## **Specific Comments**

The last sentence of ¶13 and the first sentence of ¶14 appear to be repetitive. We suggest eliminating the first sentence of ¶14 and clarifying ¶13 as follows: "... should be included in the **new government's** statement of net position...."

In regard to  $\P18$  (last sentence), we suggest the following minor change: "Changes in accounting estimates should be recognized in the <u>resource</u> flows statement of the new government.

For  $\P57$ , we believe the last sentence is too limiting. We recommend that any other significant balances, rather than just the resource flows, should be disclosed. For  $\P73$  (page 20 – first sentence), delete one of the "reorganizations" examples (i.e., repetitive).

In regard to the discussion of excess consideration provided or excess net position received (¶106), we believe the board needs to explain why the conclusions for each transaction are not symmetrical (i.e., deferred outflow and deferred inflow, respectively). We question why the excess amount received should be allocated to noncurrent assets rather than recognized as a deferred inflow since the transaction does appear to meet the deferred inflow of resources

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definition (i.e., "an acquisition of net assets by the government that is applicable to a future reporting period") and could also benefit future reporting periods. At a minimum, we believe this should be discussed.

Should you have questions or need clarification on any of our comments, please contact Gerry Boaz or me at (615) 747-5262.

Sincerely,

Arthur A. Hayes, Director Division of State Audit