September 10, 2015

David Bean  
Director of Research  
Project No. 3-26E  
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), *Blending Requirements for Certain Component Units*. We generally agree with the ED proposals. We agree that this proposed statement would provide enhance the comparability of financial statements among governments. However, the board should consider explaining in the basis for conclusions (Appendix B) why a discrete presentation is an incorrect application of GAAP when professional judgment may have been used to reach such a conclusion prior to subsequent purchases of the legally separate entities. In addition, we offer the following suggestions for clarifying the ED guidance:

For ¶B5, we suggest clarifying why being the sole corporate member does not equate to having substantively the same governing body, when they appear to be the same governing body. Criterion \(b\) appears to justify a discrete presentation because the services provided are mainly for the general public. Thus, prior to the board’s proposal, criteria \(a\) and \(b\) appear to conflict as reasoning for allowing an exception to discrete presentation for the type of not-for-profit corporations discussed. That is, criterion \(a\) appears to support blending. In addition, we are not certain how unique of a relationship these types of arrangements are to justify an exception to discrete presentation.

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

Sincerely,

Deborah V. Loveless, CPA  
Director, Division of State Audit