August 24, 2017

David Bean
Director of Research
Project No. 3-30
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), Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. We agree that the required disclosures would improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, we agreed with disclosing information about resources to liquidate debt and the risks associated with changes in terms associated with debt. As a result, we agree that users would have better information to understand the effects of debt on a government’s future resource flows. We also agree that including the definition of debt will improve consistent application of the standards. Furthermore, we have some suggestions for clarity and improvement.

For ¶5b, we suggest the board consider adding a footnote or parenthetical to clarify that debt secured with pledged revenues would follow the requirements of GASB 48. For ¶B13 (last sentence), remove “presented” from the last phrase (i.e., “…from information presented related to other types of debt.” Thus, the sentence would state, “presented separately from information related to other types of debt.” For ¶B3 (inconsistent application of the existing standards) and ¶B18 (diversity in practice), we believe the board should consider further clarifying what exactly is unclear (and thus causing misapplication) with the existing guidance in GASB 34 related to long-term liabilities, which identifies bonds, notes, and loans as examples for the debt note disclosure. Explaining where misapplication in practice is occurring would help further clarify what the proposed standard is trying to achieve.

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