



September 25, 2015

Mr. David Bean
Director of Research and Technical Activities
Governmental Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856-5116

Dear Mr. Bean:

On behalf of the National Association of State Auditors, Comptrollers and Treasurers, we appreciate the opportunity to respond to the Governmental Accounting Standards Board's Exposure Draft (ED), *Blending Requirements for Certain Component Units*.

We generally agree with the provisions of the ED and believe that it will enhance the comparability of financial statements by requiring blending of component units incorporated as not-for-profit corporations when the primary government is the sole corporate member of the corporation. However, we have the following specific comments that we believe the Board should consider as it finalizes this statement.

General Comments

- We request that the final document include a definition for “sole corporate member,” including the circumstances when a primary government demonstrates being a sole corporate member. The distinction that a corporate member is different than a governing body is described in literature; however, literature also indicates there may not be corporate members, or corporate members may not be described in formal reporting. Accordingly, it is confusing and unclear what a sole corporate member is; how to identify that one or more corporate members exist; how to apply this proposed standard when the circumstances include no corporate members yet the primary government's governing body is the component unit's governing body or equivalent; whether this standard expects explicit legal structure or allows a substance over form approach. We believe that if the Board does not clarify these circumstances, this standard will not meet its objectives of clear, accurate and consistent application of this reporting requirement
- It is likely that some, if not most, not-for-profit organizations meeting the new blending criterion will report under FASB's reporting framework in their stand-alone financial statements. Neither the current GASB standards nor this proposed standard include explicit guidance about how to include blended component units that are reported under a framework other than GASB's, and whether those statements should be reformatted to follow GASB's reporting requirements. Therefore, we request that the Board add explicit guidance to address how governments should include component units that report under a framework other than GASB's. We continue to support current practice that blended component units' financial statements should be reformatted to GASB's reporting framework, and discretely presented component units' financial statements can, at the preparer's option, be either reformatted or left in their original framework as separate statements. While the approaches for discretely presented component units with differing frameworks can be found in the Comprehensive Implementation Guide, no such guidance is provided for blended component units with differing frameworks.



Paragraph B3

Editorial comment: The last sentence, says "misleading-to-exclude." We believe the hyphens should be removed and quotations should be added since it is referencing "misleading to exclude" from Statement 39.

Paragraph B10

Editorial comment: The paragraph states: "Thus, the Board decided not to require any note disclosures in this Statement." Since this contradicts paragraph 5, we believe this discrepancy should be clarified by adding "ongoing" before "note disclosures."

We appreciate the opportunity to provide our comments. Should you have any questions or need additional information regarding our response, please contact Kim O’Ryan of NASACT at (859) 276-1147 or me at (515) 281-4877.

Sincerely,

Calvin McKelvogue
President, NASACT
Chief Operating Officer, Iowa