



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7897
FAX (615) 532-2765

September 23, 2016

Sherry Hazel
Audit and Attest Standards
American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, NY 10036-8775

Dear Ms. Hazel:

On behalf of the Tennessee Department of Audit, Division of State Audit, we thank you for the opportunity to comment on the Exposure Draft (ED), *Auditor Involvement With Exempt Offering Documents*. We generally agree with the amendments proposed in the ED.

Our responses to the issues for consideration and other comments are as follows:

Issue 1

Commenters are asked to provide feedback on the types of offerings included in the scope of the standard, specifically whether franchise offerings should be included in the scope of the proposed SAS. **We agree with inclusion of franchise offerings within the scope. We find no reason why they should not be included.**

Issue 2

Commenters are asked to provide feedback on (a) whether they believe the activities that have been identified should trigger involvement and (b) whether additional activities should be considered as triggers for involvement. **We agree with the suggested triggers because they represent long-standing industry practice and are understood.**

Issue 3

Commenters are asked to provide their views regarding the proposed requirement for subsequent event procedures to be performed when the auditor is deemed involved with an exempt offering document. **Regardless of whether management has a requirement to assess the impact of subsequent events, we believe the public interest is best served when the practitioner performs a subsequent events assessment. However, the guidance**

might need to clarify that this subsequent events assessment time period is likely to extend beyond the assessment performed as part of the audit of the financial statements.

General Comments:

For ¶A26, when financial guarantees occur, the component unit generally is the beneficiary of the financial guarantee, rather than the guarantor. Primary governments generally provide the financial guarantees. For example, a school district may receive a financial guarantee from a state government for the district's debt service payments on construction bonds it has issued without providing consideration to the state government. We suggest the following amendment: “**An entity** not guaranteeing the repayment is ordinarily not a relevant entity to the users of the debt offering.” This provides clarity and flexibility for practitioner interpretation when the component unit is not a guarantor. We also suggest that the guidance might need to address consideration when the component unit involved with the offering is the beneficiary, not the guarantor, of the financial guarantee. This situation could also have a material impact on the financial statements.

Should you have questions or need clarification on any of our comments, please contact Gerry Boaz (615) 747-5262 (Gerry.Boaz@cot.tn.gov) or me at (615) 747-5251.

Sincerely,

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