



April 16, 2020

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), *Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements: Notes to Financial Statements*.

We support the GASB's effort to enhance the conceptual framework and to reexamine the requirements for disclosure in the notes to financial statements. We agree that the purpose of notes to financial statements is to provide information that explains, describes, or supplements the financial statements, and that notes are integral to basic financial statements and necessary to make them complete. However, we have the following specific comments that we believe the Board should consider as it finalizes this statement.

Paragraphs 7 and 11

As discussed in paragraph B6, the Board has incorporated the extant general objective from Concepts Statement No. 1 that governmental financial reporting is used to make economic, social or political decisions into the specific concepts of notes to financial statements. Without further defining the scope or limitation on this information, we believe this change could result in information in the notes that goes beyond providing information necessary to describe policy, provide detail or explanation of amounts recognized in the financial statements or provide additional information about financial position or activity. Therefore, we request that the Board revise these paragraphs to separately reference the broad objective of governmental financial reporting and clarify that the notes to the financial statements help to support that overall objective by providing information that is essential in explaining, describing or supplementing information in the financial statements.

Paragraph 9

- b. We believe the language is too broad and lacks clarity. We request that the Board provide clarification.
- d. We are concerned that the additional criteria may lead to excessive disclosures or possible confusion regarding what should be disclosed. We believe the language is vague and we request that the Board either remove this criteria, or further define what other types of finance-related information should be disclosed. We request further clarification or definition so it does not extend beyond information that has a direct connection to the financial statements. We believe that other finance-related information that may have some bearing to the accountability of the government, but have no connection to the financial statements, should not be included in the notes.



Paragraph 11

We request that the Board provide examples of what information meets and what information does not meet the threshold of being “evidence.”

Paragraph 13

Based on Concepts Statement No. 3, paragraph 32, a “reporting unit” includes governmental activities or business-type activities, a major fund, and an aggregation of funds. Therefore, it appears this paragraph would require all note disclosures to be prepared at the lowest level defined as a “reporting unit,” such as by a major fund. We believe this approach could greatly increase the size of financial reports because of the increased level of reporting for note disclosures. Also, governments may find it difficult or burdensome to accumulate note disclosure information at the fund level because they generally report many of their existing note disclosures at a more aggregated level. We request that the Board reconsider whether preparation of note disclosures at the lowest “reporting unit” level is essential. In addition, we believe this is an opportunity to clarify whether a primary government can refer to the notes of component units or pension plans that are readily available and not place this information in the notes of the primary government.

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 (802) 828-3322.

Sincerely,

A handwritten signature in black ink that reads "Beth Pearce". The signature is written in a cursive, flowing style.

Beth Pearce
President, NASACT
State Treasurer, Vermont