



October 12, 2021

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

Dear Mr. Skelton:

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 Revised Exposure Draft (ED), *Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements: Notes to Financial Statements*.

We generally agree with the provisions of the ED, and we have the following feedback to the questions included in the proposed statement.

Do you agree or disagree that essential information in notes to financial statements is evidenced by the following characteristics? Why?

- a. *Users utilize the information in their analyses for making decisions or assessing accountability or would modify those analyses to incorporate the information if it were made available.*

We agree that essential information is evidenced by utilization for making decisions or assessing accountability.

- b. *The information has or would have a meaningful effect on users' analyses for making decisions or assessing accountability.*

We agree that to be considered essential, the information should have a meaningful effect on users' analyses for making decisions or assessing accountability.

- c. *A breadth or depth of users utilize or would utilize the information in their analyses for making decisions or assessing accountability.*

We agree that essential information should be such that it is useful to a wide variety of users or a substantial group of similar users or stakeholders. The essentiality concept now appropriately incorporates the degree of impact or extent of users utilizing the information, instead of these factors only being considered aspects of the evaluation regarding expected benefits and perceived costs.

We also have the following specific comments that we believe the Board should consider as it finalizes this statement.



Paragraph 14

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. In paragraph B36, the Board describes that “The phrase was intended to convey that disclosing information that corresponds to each reporting unit presented in the financial statements would be the Board’s starting point when developing disclosure requirements.” Therefore, it appears that it is the Board’s intent that note disclosures should 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, or if this is not the Board’s intent, we believe the Board needs to modify the proposed standard to clarify its position. 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 (803) 734-2588.

Sincerely,

Richard Eckstrom
President, NASACT
Comptroller General, South Carolina