September 10, 2021

Director of Research and Technical Activities
Project No. 3-34
director@gasb.org

To Whom It May Concern,

We appreciate the opportunity to respond to the exposure draft of the Governmental Accounting Standards Board (the Board) on Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements: Notes to the Financial Statements. In general, we support the Board’s initiative to more clearly define the information it considers to be essential to financial statement users. In response to the question posed by the Board related to the characteristics of essential information in notes to the financial statements:

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

We are concerned that ‘information used for making decisions or assessing accountability’ is excessively open-ended and, therefore, has the potential to continue to expand the scope of financial reporting. There are numerous decisions that users of the financial statements make relating to accountability that do not directly relate to the basic financial statements, which is likely to result in an ongoing challenge for the Board in establishing which potential user analyses are relevant. Further, due to the amount of information that currently must be included in the financial reporting package, the amount of time it takes to issue audited financial statements often impedes users’ ability to make timely decisions. Any future expansion to the scope of financial reporting is likely to further delay financial statement preparation.

Additionally, as mentioned in our previous response to the original exposure draft, in paragraph seven, the Board states that the notes to the financial statements are essential to
users in making economic, social, or political decisions. We recommend that the Board revise paragraphs 7 and 11 to exclude social and political decision making from its criteria. While we understand that financial statements may include information relevant to social or political decision making, we believe those considerations should be secondary to the primary objective of allowing users to assess financial condition and results of operations in making economic decisions.

**Characteristic B.** The information has or would have a meaningful effect on users’ analyses for making decisions or assessing accountability.

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

**Characteristic 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 a breadth or depth of users should be expected to utilize the information in their analyses for making decisions or assessing accountability to be considered essential.

Related to both characteristics B and C, we would encourage the Board to assess and describe the intended users of the financial statements and explain how it meets the concept of essentiality in the pre-agenda research and the cost-benefit analysis. Providing these additional details would assist financial statement preparers and their auditors with understanding the value of the changes and in assessing materiality when making and auditing accounting policy decisions. Additionally, we would encourage the Board to revisit all previously issued standards to compare with this proposed concept statement to determine if all notes to the financial statements meet the requirements in paragraph 11.

We appreciate the efforts of the Board and the opportunity to provide our comments. Should you have any questions or need additional information concerning our response, please contact Zach Borgerding or me at (804) 225-3350.

Sincerely,

Staci A. Henshaw
Auditor of Public Accounts