March 20, 2020

David Bean
Director of Research
Project No. 3-34
Governmental Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Dear Mr. Bean:

On behalf of the Tennessee Division of State Audit, we thank the GASB for the opportunity to comment on its proposed Exposure Draft (ED), Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements: Notes to Financial Statements. We agree with the board’s proposals and believe the proposed Concept Statement appropriately “heightens the application of the concept of essentiality by providing that information included in notes to financial statements is essential for users to make decisions or assess accountability” (¶B15). However, we do have suggestions below to help improve the proposed Concept Statement:

1. For ¶8, we believe the board should consider that a knowledgeable user’s understanding should include “the fundamentals of governmental financial accounting and reporting….” We do not believe “government and public finance” sufficiently conveys the financial accounting understanding.
2. For ¶9, we suggest clarifying the phrase “measures other than dollars” and whether “measures” includes or excludes performance metrics as a requirement.
3. For ¶14, we believe this guidance is intended to mean each information item separately (step 1) and then the note disclosure by pronouncement (step 2). If so, this needs to be clarified. We also believe an additional layer or final step of analysis (step 3) should be required, and that is at the note disclosures as a whole (i.e., the entire inventory of disclosures throughout all pronouncements, which could be all information items for a topic, at a minimum).
4. For ¶B2, we suggest changing “between” to “among” (i.e., “…hierarchical relationship between the four communication methods….”).

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

Sincerely,

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