April 2, 2020

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

Re: Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements: Notes to Financial Statements (Project No. 3-34)

Dear Sir:

The Michigan Government Finance Officers Association (MGFOA) has reviewed the Exposure Draft of the Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements: Notes to Financial Statements dated February 11, 2020. We offer the following comments in relation to this document:

1. Paragraph 7 states that the purpose of notes to the financial statements is to provide information that is essential to users in making “economic, social, or political decisions or assessing accountability.” We feel it would be prudent to make two wording changes to this section. First, we feel “economic, social, or political decisions” should be replaced with “economic or operational decisions.” We feel that the suggested wording would more accurately reflect the intended use of the information. Second, we feel that “accountability” is too broad and should be replaced with “financial accountability.”

2. Consistent with our comments on paragraph 7 noted above, we suggest that paragraph 9d be reworded as follows, “Other information associated with the financial accountability of the government.”

3. Also consistent with our comments on paragraph 7 noted above, we suggest that paragraph 11 be reworded as follows, “...Notes to financial statements are essential to users in making economic and operational decisions or assessing financial accountability...”.

4. After considering the guidance provided in paragraph 11 regarding what is deemed essential information to users of the financial statements, we feel that paragraph 13 should be modified to indicate that the information in a government’s notes to the financial statements should only be disaggregated by reporting units when considered essential to the users of the financial statements. Currently, we believe the guidance in paragraph 13 would lead us to disaggregate information contained in the notes by reporting units in all cases. In many instances, the information by reporting unit is not relevant to decision-making; in other instances it is already evident from the amounts reported on the face of the financial statements; requiring such disaggregation within the notes would not appear to be consistent with the concept of determining essential information to users.

5. Within paragraph 15, we suggest adding a sentence to indicate that presentation of amounts on the face of the financial statements should normally be an adequate substitution for disclosure in the notes to the financial statements.
These comments represent the consensus opinion of the Accounting Standards Committee and have been approved by our Board of Directors. Thank you for your consideration and the opportunity to express our points of view.

Very truly yours,

Kim Garland, President
Michigan Government Finance Officers Association