April 20, 2020

Mr. David Bean
Director of Research and Technical Activities, Project No. 3-34
Governmental Accounting Research Board
Norwalk, CT
Via email: director@gasb.org

Dear Mr. Bean:

On behalf of the professionals serving governmental entities at CliftonLarsonAllen LLP (CLA), we appreciate
the opportunity to comment on the topics covered in the Exposure Draft, Communication Methods in
General Purpose External Financial Reports That Contain Basic Financial Statements: Notes to Financial
Statements, Project No. 3-34.

Based on review of the proposed concept statement, we offer the following comments for consideration:

**Purpose of Notes to Financial Statements — Paragraph 7**

We agree the purpose of the notes to financial statements is to provide information that (a) explains,
describes, or supplements the financial statements. However, we believe that indicating the purpose of
the notes to financial statements is to provide information that (b) is essential to users in making
economic, social, or political decisions or assessing accountability is too broad and open to
interpretation. We are concerned the nature of the notes to financial statements would be expanded
because there are many types of information users could contend are essential for decision-making. We
also encourage the Board to consider adding that any information in the notes should be readily
obtainable, objective, and verifiable.

**Criteria for Disclosing Information Items in Notes to Financial Statements — Paragraph 10**

Paragraph 10 details the type of information not appropriate for notes to financial statements.
Paragraph B14 indicates that general or educational information that is not specific to the reporting
government should not be included in notes to financial statements because its inclusion would be
inconsistent with the Board’s decisions regarding the intended users of note disclosures. We generally
concur with the proposed concept. However, in practice, we find many of the citizenry user community
must use the general information to obtain a fundamental understanding of governmental financial
reporting in order to understand the information conveyed in the financial statements. We believe the
general or educational information currently in the financial statements, such as the description of
government-wide and fund financial statements and their differences, is helpful to the users of the
financial statements and increases the understandability of the financial statements by this group. We
suggest that the Board carefully consider the diverse level of financial familiarity in the citizenry user
group.
Notes to Financial Statements and Reporting Units — Paragraph 13
Paragraph 13 states that notes to financial statements, at a minimum, should provide information that corresponds to the reporting units presented in the financial statements. Paragraph B18 defines reporting units as "the group of activities covered by the financial statement." We believe it would be helpful to add a definition of the term "reporting units" to paragraph 13 and clarify whether this refers to the primary government and each component unit presented in the financial statements or to each opinion unit presented in the financial statements.

Evaluation of Benefits and Costs for Notes to Financial Statements — Paragraph 14
We agree that the expected benefits and perceived costs of disclosing information in notes to financial statements should be reviewed separately from the overall expected benefits and perceived costs of the overall pronouncement while the Board is establishing standards. We found paragraph 14 difficult to understand without the additional information presented in the basis for conclusions paragraph B19. We recommend paragraph 14 be reworded to provide clarity.

We thank the Board for this proposed concept statement and the opportunity to comment.

Respectfully submitted by,

CliftonLarsonAllen LLP

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