



June 22, 2020

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

VIA Email: [director@gasb.org](mailto:director@gasb.org)

Dear Mr. Bean:

On behalf of the AGA, the Financial Management Standards Board (FMSB) appreciates the opportunity to provide comments to the Government Accounting Standards Board (GASB/Board) on its Exposure Draft, *Communication Methods in General Purpose External Financial Reports that Contain Basic Financial Statements: Notes to Financial Statements, an amendment of GASB concepts Statement No.3* and is respectfully providing feedback on the Board's views.

The FMSB is comprised of 19 members (list attached) with accounting and auditing backgrounds in federal, state, and local government, and public accounting. The FMSB reviews and responds to proposed standards and regulations of interest to AGA members. The views of the FMSB do not necessarily represent those of AGA or the local AGA chapters and individual members are also encouraged to comment separately.

We appreciate the efforts of the Board to provide a framework of objectives and principles that can be used in the process of establishing accounting and financial reporting standards for financial statement footnotes. We firmly believe there needs to be a strong framework as the Board continues to issue new standards as well as re-evaluate the current notes. While the notes provide pertinent and important information, the number of notes in an average government financial statements can be considered voluminous and seem to provide education information rather than necessary information for a knowledgeable user of the financial statements.

We have the following comments:

1. We encourage the Board to emphasize the need to refrain from the use of boiler plate wording in the notes to the financial statement.
2. We agree with and appreciate the Board's effort to emphasize the responsibilities of the users as noted in paragraph 8 of the proposed concept. We recommend that "knowledgeable" be inserted prior to the word "users" in order to clarify the level of users of the financial statements. We also recommend the wording be changed from "governmental financial" to "governmental accounting and financial reporting".

3. We understand the difficulty in creating a framework that helps shape the necessary note disclosures, providing information for the various knowledgeable users while doing it in manner that is readable and straightforward. This became apparent in the FMSB's discussion of the proposed concept statement relating to paragraphs 7 and 11.

Some FMSB members suggested removing "social, or political" in paragraphs 7 and 11 and introducing the words "or operational". Their suggestion is intended to prevent the introduction of social or political information in future standards that require note disclosures. They referred to GASB Statement No. 77 as an example. Their concern is that this may provide standard setters with the ability to require social or political information in the notes, and not just financial information resulting in social or political change. They acknowledge that government leaders may use financial statements in their decision making which may result in social change, and any of which may be considered "political". They suggested social or political information would be more appropriate in a popular report or a service efforts and accomplishments report.

However, other members of the FMSB did not consider a change in this phrase is necessary as the function of government is to result in social change, and many governments are administered by partisan political leaders. They believe the framework's wording is just summarizing the various aspects of governments when reporting accountability.

As a result of the discussion, the majority believe that the notes should directly support the information contained in the basic financial statements with a focus on what has been recognized and can be directly referenced to the government-wide financial statements. We believe disaggregating by reporting unit can lead to non-essential largess. Opinion units may be at a lower level, but they also consider the information in the basic financial statements *taken as a whole*.

Finally, social and political information is often subjective and reflective of an administration's priorities, which are best served in other types of information as illustrated in Concepts Statement 3, Figure 1, which may include budgets and website postings.

The Board in paragraphs B7 and B12 acknowledged the concern of the use of *accountability* could lead to the inclusion of information that is not appropriate for the notes. The Board also reiterated that the information related to accountability provided by the note disclosures should be limited to financial related information. We recommend the Board provide in the statement itself more emphasis on financial accountability rather than just accountability.

4. We recommend the Board clarify the evidence of use as addressed in paragraph 11. We believe most users when asked, will indicate the information is useful since the information is available but the information may not be essential in the user's decision-making process. We recommend the Board include in the concepts statement the process of not only evaluating the essentiality at an individual basis but consider the other related statements and interpretations and then determine whether information has a significant effect on user in their decision-making process which is then considered essential information. Further, we wonder how GASB staff will gather sufficient information to indicate that the proposed information is useful in order to make a recommendation to the Board? With over 90,000 governments, all with different stakeholders and preparers' abilities, how are staff to discern sufficiency given the limited resources of the GASB?
5. We agree that there should be an evaluation of costs and benefits for potential note disclosure as discussed in paragraphs 14 and 15. The benefits of any proposed disclosure must exceed the costs. However, we also believe this evaluation needs to be in a separate category from changes proposed for information to be contained in the basic financial statements.

A prime example where the costs of preparing notes has proven in many ways to exceed benefits has been in the note disclosure of defined benefit information. Much of this information is boilerplate and for employer / sponsors, is repetitive of what is already contained in a publicly available plan document. As we have urged as a group before, we urge the GASB to consider expanding the ability to incorporate disclosure by reference to other publicly available audited information in order to minimize the largess of many governments' note disclosure sections. GASB should take the lead in making this important step. If the information is not publicly (or readily) available, then the note disclosure should be included if it is essential, articulates to information contained in the basic financial statements and not boilerplate (or purely educational).

We appreciate the opportunity to comment on this document and will be pleased to discuss this letter with you at your convenience. If there are any questions regarding the comments in this letter, please contact me at (208)383-4756 or Lmiller@eidebailly.com.

Sincerely,

A handwritten signature in cursive script that reads "Lealan Miller".

Lealan Miller, CGFM, CPA  
Chair- AGA Financial Management Standards Board

cc: Ernest A. Almonte, CGFM, CPA, AGA National President

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