



April 15, 2020

David R. Bean, CPA
Director of Research and Technical Activities
GASB
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: February 11, 2020 GASB Proposed Statement on Concepts Related to Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements: Notes to Financial Statements [Project No. 3-34]

Dear Mr. Bean:

The American Institute of CPAs (AICPA) is the world's largest member association representing the accounting profession, with more than 418,000 members in 143 countries, and a history of serving the public interest since 1887. One of the objectives that the Council of the AICPA established for the Private Company Practice Section (PCPS) Executive Committee is to speak on behalf of local and regional firms and represent those firms' interests on professional issues in keeping with the public interest, primarily through the Technical Issues Committee (TIC). This communication is in accordance with that objective. These comments, however, do not necessarily reflect the positions of the AICPA.

TIC agrees that this proposed Concepts Statement would improve financial reporting by enhancing the framework through which the GASB maintains consistency in standards setting. TIC has some comments on a few of the proposed concepts as outlined below.

TIC has some concerns over criteria 9 and the bullet "information about financial position or inflows and outflows of resources that does not meet the criteria for recognition" as a type of information that should be in the notes. TIC believes this would create a lot of disclosures for something that was not recognized in the financial statements. TIC believes the focus should be on what was recognized, and parameters around recognition, rather than on what wasn't recognized. If a government deems it "essential" to disclose what wasn't recognized, the decision to include such items should be for the purpose of supporting or clarifying what was recognized.

TIC liked the addition of the focus on items that are not education but truly specific to the entity making the notes more applicable and less boilerplate.

TIC found paragraph 14 to be a bit confusing. The last sentence indicates, "the evaluation of the expected benefits and perceived costs of disclosing information in notes to financial statements

should be reviewed separately from (and in addition to) the overall analysis of expected benefits and perceived costs.” TIC believes this sentence reads a bit circular.

Paragraph 15 indicates that information meeting the disclosure requirement, “and whose expected benefits justify their perceived costs should be reported.” TIC firms have clients that do not believe the actuary cost necessary to calculate the GASB 75 implied rate subsidies is a benefit, so a GAAP departure is taken. Does that mean governments have an opportunity to subjectively evaluate the cost/benefit of required disclosures? TIC was curious as to whether this change is intended to be GASB's cost benefit (as this is a concept statement) or the entity's.

Paragraph B5 indicates why materiality wasn't brought into this standard. TIC believes that since this is a concepts statement, it should address materiality.

Item 11 refers to the term “essential,” and while TIC might not prefer the use of the term “essential” in describing the notes to the financial statements, TIC believes that the definition focusing on the needs of users for decision making and accountability align with the purpose. TIC is not as comfortable with the second bullet related to the potential need to modify the analysis if information became available and TIC believes the Board might then need to consider more implementation guidance and examples associated with what constitutes information that results in a modification of the analysis.

TIC members were confused related to the meaning of “reporting unit” as used in in paragraph 13 of the ED, which notes that, “notes to financial statements, at a minimum, should provide information that corresponds to the reporting units presented in the financial statements.”

The following is the definition of reporting unit from paragraph 32 of GASB Concepts Statement No. 3, *Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements*:

“A reporting unit may be a governmental unit (that is, it has separate legal standing), part of a governmental unit (such as governmental activities or business-type activities, a major fund, an aggregation of funds, or a segment), or an aggregation or consolidation of two or more governmental units (such as a primary government and its component units). When the reporting unit is only part of a governmental unit, the assets, liabilities, residual balances, and changes in those amounts that are included in the reporting unit's financial statements have been assigned by the governmental unit to that reporting unit for control, management, or financial reporting purposes “

An example that helps illustrate this point is looking at a government with a discretely presented component unit and multiple major business-type funds. In this case, TIC was curious at what “reporting unit” level a government would need to disclose information such as capital assets in the notes? Perhaps providing some additional clarification or examples would be helpful.

The effects of COVID-19 have put additional strain on firms and the clients they serve. Any possible delays to standards that are other than simplification or very narrow scope would be much appreciated as we all struggle to deal with the implications of this pandemic.

TIC appreciates the opportunity to present these comments on behalf of PCPS member firms. We would be pleased to discuss our comments with you at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "Danielle Supkis-Cheek", with a long, sweeping flourish extending to the right.

Danielle Supkis-Cheek, Chair
On Behalf of the PCPS Technical Issues Committee