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GASB Issues Proposal to Enhance Concepts for Notes to Financial Statements.

Norwalk, CT, July 20, 2021 — The Governmental Accounting Standards Board (GASB) today issued a proposed Concepts Statement to guide the Board when establishing note disclosure requirements for state and local governments. The document is part of the GASB's response to the results of its research reexamining existing note disclosure requirements.

The proposed concepts primarily are intended to provide the GASB with criteria to consistently evaluate notes to financial statements in the standards-setting process. They also may help stakeholders to understand the fundamental concepts underlying future GASB pronouncements.

The Revised Exposure Draft (RED), *Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements: Notes to Financial Statements*, proposes concepts such as:

- The purpose of notes to financial statements
- The intended users of note disclosures
- The types of information that should be disclosed in notes
- The types of information that are not appropriate for note disclosures.

A key element of the proposed Concepts Statement is the concept of essentiality. The RED would establish that notes to financial statements are essential to making economic, social, or political decisions or assessing accountability. The RED also identifies the characteristics that indicate information is essential to users:

- Users utilize the information in their analyses for making decisions or assessing accountability or would modify those analyses to incorporate the information if it were made available.
- The information has or would have a meaningful effect on users' analyses for making decisions or assessing accountability.
- A breadth or depth of users utilize or would utilize the information in their analyses for making decisions or assessing accountability.

The GASB issued an Exposure Draft (ED) on this topic in early 2020. The Board has issued this RED to incorporate feedback received from stakeholders on the previous ED and to seek feedback on the resulting proposed revisions, which the Board believes will improve the final concepts.

The Revised Exposure Draft is available for download at no charge on the GASB website, www.gasb.org. Stakeholders are encouraged to review and provide comments by October 15, 2021.

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