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GASB Issues Enhanced Concepts for Notes to Financial Statements.

Norwalk, CT, July 7, 2022 — The Governmental Accounting Standards Board (GASB) today issued a 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 concepts contained in the document are primarily intended to provide the GASB with criteria to consistently evaluate future requirements for notes to financial statements in the standards-setting process. They also may help stakeholders to understand the fundamental concepts underlying note disclosure requirements contained in future GASB pronouncements.

Concepts Statement No. 7, *Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements: Notes to Financial Statements*, details concepts including:

- 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, and
- The degree of importance that information disclosed in notes to financial statements should possess.

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

- The information has or is expected to have a meaningful effect on users' analyses for making decisions or assessing accountability.
- A breadth or depth of users utilize or are expected to utilize the information in their analyses for making decisions or assessing accountability.

The concepts included in Concepts Statement 7 establish that information disclosed in notes to financial statements should correspond to the reporting units presented in the financial statements.

The GASB issued an Exposure Draft (ED) on this topic in early 2020. The Board issued a Revised Exposure Draft in July 2021 to incorporate feedback received from stakeholders on the previous ED and to seek feedback on the resulting proposed revisions.

Concepts Statement No. 7 is available for download at no charge on the GASB website, www.gasb.org.

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