



Mr. David R. Bean
Director of Research and Technical Activities
Governmental Accounting Standards Board
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116

June 25, 2020

Via email to drbean@gasb.org

RE: Invitation to Comment – Exposure Draft relating to Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements: Notes to Financial Statements

Dear David:

The National Federation of Municipal Analysts (NFMA) is pleased to respond to the request for comments on the Exposure Draft relating to Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements: Notes to Financial Statements.

The NFMA is a not-for-profit association with nearly 1,300 members in the United States, comprising a broad range of municipal bond analysts from the buy-side, sell-side, rating agencies and bond insurers. The mission of the NFMA is to enhance the professional development and analytical contributions of municipal market participants through best-in-class educational programs, networking opportunities and targeted advocacy that supports improved disclosure to benefit the industry. The NFMA has published an extensive library of Best Practices in Disclosure and White Papers which are available on our website, www.nfma.org.

The NFMA supports the GASB's efforts to improve the transparency and quality of financial information available to help users of financial statements more accurately evaluate the credit attributes, trends and fiscal health of governmental entities. The comments that follow are made in recognition of the clear alignment of interests that exists between the GASB's mission of good financial disclosure to users, and our professional needs as analysts of municipal credit risk.

The Proposed Concepts Statement seeks to provide a framework of objectives and principles to promote consistent standards for notes included in basic financial statements. Generally, the proposal establishes that the purpose of the notes to financial statements is to provide information that explains or supplements the financial statements and is essential to users in making decisions or assessing accountability. The threshold for essentiality in the proposal is that the information is either being used in users' analyses or, if it were made available, would be used in their analyses



for decision-making. It also sets a standard for the level of sophistication and due diligence for the user of the notes as a person that has a reasonable understanding of government and public finance activities and governmental financial reporting and conscientiously reviews and analyzes the information.

The NFMA is generally supportive of the Proposed Concepts Statement. The NFMA concurs with the view that users of the notes to financial statements should be considered more experienced than the general public or casual reader and that the notes section is not the appropriate place for general or educational information that is not specific and unique to the reporting unit. General and educational information unnecessarily clutter the notes section and can detract users' focus from other insights that enhance and/or help to explain the financial position of the reporting entity.

However, the NFMA would like to express some trepidation about the ability to definitively describe how important information related to a new financial standard or change in reporting would be used in future analyses. It can take time for users to determine how to specifically value and integrate new information into existing analytic frameworks, and in some cases the provided information is weighed subjectively, given the financial situation of an issuer. We hope that the GASB will err on the side of inclusion versus exclusion of new information that is intuitively important, even if its specific usage is not fully fleshed out.

We thank you for the opportunity to provide our comments on the Exposure Draft relating to Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements: Notes to Financial Statements and would be happy to discuss our feedback in follow-up communications.

Sincerely,

/s/

Lisa Washburn
NFMA Representative to GASAC

