



Letter of Comment No. 009
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Mr. Alan Skelton
Director of Research and Technical Activities
Project No. 3-41
Governmental Accounting Standards Board
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116

Dear Mr. Skelton:

Carr, Riggs, & Ingram, LLC (CRI) is pleased to provide these comments to the Governmental Accounting Standards Board (GASB) on the Exposure Draft of the Proposed Statement, *Certain Risk Disclosures*.

Overall, we support the proposed guidance in the Exposure Draft. Financial statement users should be alerted when governments experience circumstances that meet the proposed criteria in paragraph 6 for certain concentrations or certain constraints common in the government environment, but are unlikely to see disclosures in the absence of specific guidance such as that proposed in the Exposure Draft. We believe the proposed disclosure standards should result in information that makes users aware of potentially serious financial difficulties, which they may subsequently explore further, without imposing a significant burden on governments.

We suggest that the Board consider further clarifying two aspects of the proposed standard before issuing a final Statement.

First, use of the current period as the benchmark for evaluating the effect on the level of service provided (paragraph 6c) could be problematic if the level of services provided by the governmental entity for the current period was out of the ordinary. For instance, pandemic-era levels of some services have been notably higher or lower than is typical for many governments; it could be misleading to base a disclosure decision on those unusual service levels. Benchmarking against an historical period would reduce the possibility of inappropriately disclosing or not disclosing exposure to a risk.

Second, it would be beneficial if you explained how the GASB expects "level provided" to be measured. Is level limited to the *volume* of service provided, or does it encompass *quality*, *efficiency*, and/or *effectiveness* of service? If a school district, for example, measures the volume of service as the number of students enrolled or average daily attendance, is it possible for there to be a substantial effect considering that school districts are required by state constitutions to provide education to all persons of

school age? Instead of serving fewer students, the effect likely would be an increase in average class size or teacher-pupil ratios, or a reduction in extracurricular activities.

Thank you for the opportunity to comment on this Exposure Draft. If you have any questions regarding the comments in this letter, please contact Alan Skinner at 334-348-1342.

Very truly yours,

Cam, Riggs & Ingram, L.L.C.