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Letter of Comment No. 23 File Reference No. 3-20PV Date Received: 9/30/11

THOMAS H. McTavish, C.P.A. AUDITOR GENERAL

September 30, 2011

Mr. David R. Bean
Director of Research and Technical Activities, Project No. 3-20
Governmental Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Dear Mr. Bean:

We have read the Governmental Accounting Standards Board's (Board) Preliminary Views (PV) on concepts related to Recognition of Elements of Financial Statements and Measurement Approaches and offer the following comments to the PV.

We generally agree with the alternative viewpoint expressed by a minority of the Board regarding the near-term measurement focus. We are not yet convinced that the near-term measurement focus is superior to the current resources measurement focus. Although the current resources measurement focus may have conceptual inconsistencies, it has been in practice for many years and has some usefulness for existing users of governmental financial statements. In lieu of abandoning the current resources measurement focus in an exposure draft, we ask that the Board first address and explain the more basic question – What is the purpose of fund level financial statements? The answer to that question (whether to provide information on budgetary accountability, cash flows, working capital or some other priority) should aid in the selection, development and adoption of a conceptually sound measurement focus. If the Board were to go forward with the near-term measurement focus in an exposure draft, we urge the Board to provide many more examples (including exhibits of financial statement presentations) of how the near-term measurement focus compares and contrasts with the current resources measurement focus.

Given that the board is divided on this issue, we anticipate that comments received will also be divided in nature. Therefore, we suggest the board consider an additional preliminary views document that expands on the minority viewpoint so that they explain and fully describe their position that a fund level measurement focus be more inclusive and provide for accounting that captures long term operating obligations, such as those related to pensions and other post-employment benefits.

Regarding Chapter 3 and the two measurement approaches explained, we are supportive of this terminology and the underlying concepts. We strongly agree that only a single measurement approach may be applied to a specific asset or liability.

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We appreciate the opportunity to provide feedback to this preliminary views document. If you have any questions regarding our comments, please contact me or Craig M. Murray, C.P.A., Director of Professional Practice.

AUDITOR GENERAL

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Via e-mail