August 27, 2014

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

Re: Project No. 33-1ED, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments

Dear Sir:

The Michigan Government Finance Officers Association (MGFOA) has reviewed the Proposed Statement of the Governmental Accounting Standards Board on the Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. As a result, we offer the following comments and observations:

Overall, we are in agreement as to the reduction of the GAAP hierarchy to two categories of authoritative GAAP. In addition, by increasing the category of implementation guidance in the GAAP hierarchy, we believe that the required due process that will ensue will result in better overall guidance. However, we do have a few comments for which we'd appreciate your consideration, as follows:

In the exposure draft, paragraph 3b states "Authoritative GAAP is incorporated periodically into the Codification of Governmental Accounting and Financial Reporting Standards. We take this to mean that the GASB Codification is considered authoritative but suggest that this could be clarified to eliminate any need for assumptions here. In addition, if the intent is for the Codification to be authoritative, we suggest that the GASB incorporate that into paragraph 3b as authoritative GAAP.

Paragraph 6 of the exposure draft offers a list of nonauthoritative accounting literature. This paragraph doesn't seem to imply any type of order of importance. However, paragraph 7 suggests that GASB Concepts Statements are more relevant and appropriate. In the basis for conclusions, paragraph 32 says, in part, "The Board also believes that the GASB Concepts Statements should have a significant role in resolving issues that are not addressed in authoritative pronouncements". Therefore, we suggest that paragraph 6 be edited to make it clearer that the GASB Concepts Statements, while not authoritative themselves, should be prioritized over other nonauthoritative literature. Paragraph 7 does not seem to accomplish that by itself.

These comments represent the consensus opinion of the Accounting Standards Committee and have been approved by our Board of Directors. Thank you for your consideration and the opportunity to express our point of view.

Very truly yours,

Thomas Skrobola, President  
Michigan Government Finance Officers Association