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## NUMBERED LETTER 2010-1

### GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENT NO. 34 COMPLIANCE MANAGEMENT DISCUSSION AND ANALYSIS

**Issued By:** Local Audit and Finance Division, Bureau of Local Government Services

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**2010-1** This Numbered Letter clarifies previous requirements to comply fully with generally accepted accounting principles including GASB Statement No. 34.

In recent years, our office has outlined what is an acceptable submission of a local unit audit reporting package. Two examples of our guidance would be Numbered Letter 2008-2, *Audit Filing Status*; and Michigan Committee on Government Accounting and Auditing Statement No. 13, *MCGAA Statement No. 13 - Rescission Of Statement No. 7*. Both of these statements are summarized below:

Numbered Letter 2008-2 issued April 2, 2008: “[T]here are certain conditions that would require further review or rejection of an audit by this Department.” One of which is “[f]inancial statements that do not conform to GAAP, such as cash basis statements or those that do not conform to Governmental Accounting Standards Board (GASB) Statement No. 34.”

MCGAA Statement No. 13 issued November 16, 2006: “The Michigan Department of Treasury has determined that the reporting and disclosure requirements of GASB Statement No. 34 are applicable to all counties and local units of government. The State of Michigan has not established unique basic financial statement reporting requirements that would represent a departure from GASB Statement No. 34.”

To comply with generally accepted accounting principles, GASB Statement No. 34 has required the reporting of a section to precede the basic financial statements called Management’s Discussion and Analysis (MD&A). The GASB has chosen to categorize this as Required Supplementary Information. Our department has taken a more flexible approach when receiving audits that do not have this Required Supplementary Information. However as of January 1, 2011, we will no longer accept audits without this requirement.

If you have any questions, please contact our office.