

FINANCIAL ACCOUNTING FOUNDATION

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ROBERT J. DESANTIS
President and Chief Operating Officer

June 29, 2007

Mr. Nicholas Chesla
Bond Buyer
1 State Street Plaza, 27th Floor
New York, NY 10004

Dear Editor:

GFOA President Thomas J. Glaser's recent comments (in the June 12, 2007 Bond Buyer) about the Governmental Accounting Standards Board (GASB) are not in the best interest of municipal bond investors and other users of government financial statements.

Mr. Glaser's statements are not surprising given his organization's opposition to a GASB project intended to assist governments that wish to provide the public with better and more transparent performance results information. The project, Service Efforts and Accomplishments (SEA) Reporting, is expected to develop suggested guidelines for governments that choose to communicate important information to assist citizens and elected representatives in assessing how well their government is achieving its public policy mission and the goals it has identified.

It is unfortunate that GFOA leaders have harnessed this opposition into a call for the Financial Accounting Foundation (FAF) to eliminate the GASB and transfer its standard setting responsibilities to the FASB. As the oversight body of the Financial Accounting Standards Board (FASB) and the GASB, the FAF is committed to protecting the interests of bond holders and the public by ensuring the independence of the standards setting process and the objectivity of the financial information it yields.

However, as we respect the views of all of our constituents, a group of FAF officials recently considered GFOA concerns in a meeting with GFOA executive committee members, including Mr. Glaser. After careful consideration of the issues raised, the FAF Board of Trustees unanimously rejected the GFOA's request that the GASB be consolidated into the FASB, adopted a formal resolution affirming the continued role of the GASB as the financial accounting and reporting standard setter for state and local governments, and sent a letter communicating these actions to GFOA officials. In doing

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so, the FAF reaffirmed its views that there are fundamental differences between private entities and governmental entities that require specialized accounting and reporting standards to serve the needs of governmental entities. The FAF also noted that special expertise is necessary to develop such standards and the GASB possesses the necessary expertise.

It is disappointing that Mr. Glaser did not mention in his comments the fact that he had received a letter from the FAF several days earlier that unequivocally rejected the GFOA call for the elimination of the GASB, but instead continued to repeat that call. Mr. Glaser's speech clearly demonstrates the rationale and necessity for financial accounting and reporting standards setting to be independent from commercial, political and other influences that put specific self-interest above the public interest and erode trust in government. And that's what the FAF is here to protect against.

The GFOA has a duty to overcome its self-interest and an opportunity to now reaffirm its history of supporting the GASB in its mission to independently develop accounting standards that provide objective and decision useful information to the public.

Sincerely,

A handwritten signature in black ink, appearing to be "M. Glaser", with a long horizontal flourish extending to the right.