

## **Director of Research and Technical Activities**

### **Project No. 3-25**

Thank you for the invitation to comment on the Preliminary Views for Financial Reporting Model Improvements.

I live in a state, and work in a city. Both the state and the city advertise that they operate with ‘balanced budget requirements.’ But both the state and the city have accumulated massive debts anyway, while ‘balancing’ their budgets.

The chickens are now coming home to roost. On all of our shoulders. And they are not idle, if you know what I mean.

After reviewing the Preliminary Views document, the new Financial Reporting Model initiative looks like it is too little, and too late.

Going forward, it would be productive to have accounting standards for general and government-wide fund reporting based on a full accrual basis, and foreclose the opportunity for governments to anchor their ‘balanced budgets’ on concepts of debt and expense that don’t include all debt and expense.

Full accrual accounting is a necessary but insufficient condition for reliable financial reporting. I appreciate the emphasis in the Alternative Views that a full, comprehensive, government-wide statement of cash flows also be presented – both on a prospective basis, and recast for the past two decades. It would be helpful to have a summary of the various components of cash flow – operating, investing, and financing, over time – for my state and city, and for others, so I can compare how mine stack up against others.

Sincerely,

Bill Bergman