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Director of Research & Technical Activities
Project No. 3-25
Governmental Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

VIA ELECTRONIC MAIL

Re: Comments on Project 3-25 *Financial Reporting Model Improvements*.

Director of Research & Technical Activities,

Thank you for the opportunity to comment on Project **3-25 *Financial Reporting Model Improvements.*** These comments support the concept that a long-term perspective should be used to present the other post-employment benefits liability on the balance sheet for governmental funds. The current preliminary views document shows a balance sheet for a general fund on page 59 using a Current Financial Resources/Modified Approach. There is no other post-employment benefit liability listed on the balance sheet. Rather, it is discussed in the reconciliation section on the following page. The balance sheet shows net assets of negative $2.98 million. If the other post-employment benefit liability of $41.2 million is included on the balance sheet, a much larger negative net fund balance would result.[1]

Other liabilities discussed in the preliminary views document are handled in a similar manner. An example includes the amount of long-term debt outstanding. Long-term debt outstanding is not shown as a liability on the balance sheet because the assets associated with the debt are not shown as an asset. When long-term debt is issued there is an associated bond indenture and other credit agreements (e.g., a first mortgage agreement) that provide assurances to bondholders that their ultimate liability will be paid. A schedule of assets is often pledged as the ultimate security for the debt. In the case of the other post-employment liability, there are no pledged assets to pay off the fund for the many governments that fail to set up a trust fund or other arrangement for the ultimate payment of the liability.

The problem with the balance sheet being proposed is that the long term debt liability which is securitized by the pledged assets is being handled in the same manner in which the other post-employment benefits are presented even though the latter liability may have no assets to ultimately pay off the dollar amount in the future. Why there may be an informal promise-to-

[1] A balance sheet using the Short-Term Financial Resources approach is shown on page 63. This presentation also fails to include the other post-employment benefit liability on the balance sheet and simply places it in an attached reconciliation statement.

pay the liability in the future, this assurance is not the same as the strong series of debt agreements that will ensure that the bond holders are paid in almost all cases.

A more desirable approach would be to place the other post-employment benefit liability on the balance sheet with a "Notes to the Financial Statements" presentation providing a term schedule showing when the actual payments are due. This can easily be acquired by examining the actuarial study which is required under post-employment benefit accounting.

Thank you for the opportunity to comment in this proceeding.

Respectfully submitted,

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