













the GASB's current reporting practices where the original and final budgets are compared with the actual results on the budgetary basis of accounting. But I see no point in comparing budgetary reporting with actual results based on a standard that embraces weak budgetary practices.

GASB COD section 1500.103 (which picks up NCGA Statement 1, par. 43, as amended) states that unmatured long-term indebtedness of the government (other than long-term proprietary fund debt) is *general* long-term debt and should not be reported as liabilities of governmental funds. The fact is, however, that long-term pension and OBEB liabilities arise in part from the failure of governments to budget fully for expenditures incurred in conducting prior period operations. *Ultimately, those expenditures must be paid from the funds; hence, they should be reported as fund liabilities.* Much has been learned since NCGA Statement 1 was written and it is time for the GASB to require accrual basis accounting for financial reporting on the General Fund.

I recognize that users of governmental financial reporting are interested in knowing the year-end balance of financial resources available for next year's spending. (Actually, governments need to estimate that number long before the start of the next budget year.) I also recognize that the size of the fund balance in relation to revenues or expenditures is an important ratio in assessing a government's near-term financial health, so I would not want to see that number disappear from the fund balance sheet. I see no reason why that number cannot be embraced within an accrual-basis balance sheet. The skeletal outline of the General Fund balance sheet might be presented somewhat as follows. (I'm sure GASB staff could improve it):

- Current assets
- Current liabilities
- Fund balance
- Long-term assets
- Long-term liabilities
- Net financial position

I recall that some respondents to the ITC for this project rejected the long-term (total financial resources) approach because they felt it would duplicate the information provided in the government-wide financial statements. To the contrary, I believe it would make governmental financial reporting more understandable and more accurate because: (a) it would avoid the use of two sets of recognition standards for reporting on financial resources, (b) it would provide complete information regarding calls on the future resources of the General Fund, and (c) it would simplify the statement reconciling the fund data with the government-wide data. I recognize that my proposal would require the use of a cash flows statement, but I believe most users would welcome the information it provides.

Sincerely,

Martin Ives, GASB Member, 1984-1994