

From: Leslie Munger
To: GASB Director <director@gasb.org>
Subject: Subject: Project No. 3-25

Dear Director Bean,

Thank you for providing me this opportunity to comment on your preliminary views document of the financial reporting model for governmental funds. In 2014 after holding executive positions with P&L responsibility for major corporations, I was honored by Illinois Governor Bruce Rauner to be appointed as Illinois State Comptroller.

In this position I traveled the state to educate Illinoisans about our state's finances. Citizens were often surprised by the fact that governors and legislators had been claiming balanced budgets, but the state had accumulated more than \$100 billion in unfunded pensions. Illinois' budget law requires six funds to be balanced, the largest being the general fund.

While budget calculations are not based upon sound accounting, the state's financial report should be. The financial report should report the financial results of budget decisions and enable citizens to see the costs accrued by each of the budgeted funds and the resulting liabilities these funds will have to pay in the future.

Under generally accepted accounting principles for corporations, a corporation's consolidated financial statements are derived by adding its subsidiaries' financial statements to the parent corporation's financial statements. This is possible because all of the entities within the corporation use the same financial reporting model.

It is confusing and misleading to have financial statements in which different levels of an entity, such as the government-wide, governmental funds and propriety funds, are accounted for using different basis of accounting. The need for reconciliations of the governmental funds statements to the government-wide statements illustrates this point.

For cash management purposes I can understand the need for a "Statement of Short-Term Financial Resources Flows" for governmental funds, but to not also have full accrual balance sheets and income statements will leave the readers of governmental CAFRs without the information needed to determine whether the budgeted/governmental funds incurred more expenses than revenues. This is important information that is needed to give citizens the transparency they need to hold their elected officials accountable for their budgetary decisions.

Thank you very much.

Sincerely,

Leslie G. Munger

Former Illinois State Comptroller