

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

Dear Director Bean,

Tom McKinney, U.S. Army Audit Agency, (retired), is pleased with the steps taken by the Governmental Accounting Standards Board to improve the financial transparency of government finances at the state and local levels. We're further encouraged to know the Board is in the process of hearing comments on Project No. 3-25.

We understand that the vast majority of input you have received has been from governmental officials. TOM MCKINNEY, U.S. ARMY AUDIT AGENCY, RETIRED certified internal auditor, advocates for the taxpayers. The budget process arguably is the most significant financial decision-making process our elected officials encounter. The largest and most important budgeted fund is the general fund.

The state and local governments we work with have balanced budget requirements for very good reasons, the most important being accountability. We need to be able to see if our elected officials have required current taxpayers to pay for current services and benefits. To determine this, we need to know whether the payment of current costs has been deferred. Unfortunately, the current way in which the general fund statements are prepared makes it impossible to determine the amount of costs elected officials have deferred.

This weakness in accounting for the general fund and other governmental funds is especially acute in relation to pension and other post-employment benefits. The general fund balance sheet does not include these liabilities. Therefore, the general fund balance can indicate to elected officials that they have met their government's balanced budget goal while leaving out millions—if not billions—of dollars in pension and OPEB liabilities.

As a result, it's simply not possible for us to hold our elected officials accountable for all the costs incurred. While we see some value in providing a "Statement of Short-Term Financial Resources Flows," we believe that without a long-term, full-accrual perspective, the information would be misleading.

We believe it is essential for a full-accrual balance sheet and statement of activities to be prepared to provide a complete picture of the results of state and local governments' budgets.

Thank you.

Sincerely,

Tom McKinney

Sent from my iPad