

Director of Research and Technical Activities,

Thank you for the opportunity to comment on Project Nos. 3-20 and 3-25.

As a concerned citizen, employer, and taxpayer, I believe it is imperative that GASB take the lead and shine a light on the long-term costs incurred by state and local governments, which are usually obscured from public view.

Sadly, your proposed standard and accompanying concept statement will establish a basis for financial statements that will continue to mislead citizens and taxpayers. Governmental funds statements will continue to exclude some of the largest liabilities, and thereby show inflated net positions that can be falsely advertised as “surpluses.” Governments may choose to make their funds statements look better in the short run simply by underfunding necessary pension and other retirement benefit contributions.

As the founder and chairman of a successful railcar and aircraft leasing business, I do not have the luxury of preparing and presenting fantastical financial statements to my stakeholders. In the private sector, the certification of fraudulent and deceptive financial statements has landed many business executives in prison. And yet, it is currently legal for government executives and legislators to mislead the public with Enron-esque accounting maneuvers that hide billions of dollars in liabilities from the general public.

At a time when it is vital that state and local governments provide reliable financial reporting, GASB’s proposals will paint incomplete pictures of government finances. Your proposals will allow state legislators and local government officials to validate budgets that include loan proceeds as revenue and exclude costs that were not paid in the respective year. With incomplete and misleading information, policymakers will continue to make ill-advised financial decisions that have major repercussions for those who ultimately will be responsible for the bill when it comes due: constituents like me, as well as future generations.

Thus, GASB should adopt accounting standards based in FACT, or “Full Accrual Calculations and Techniques.” FACT-based accounting standards would require financial statements used for budgeting to show expenses as they are incurred, notably when the government makes a

promise to pay for something in the future. These are the same standards that are applied in the private sector. Shouldn't we expect them to apply for our governments' finances as well?

Gratefully,  
Vince Kolber.

Vincent Kolber  
[kolber@residco.com](mailto:kolber@residco.com)  
70 W Madison St., Ste. 2200  
Chicago, Illinois 60602