

From: Tracy Kearney
To: GASB Director <director@gasb.org>
Subject: Subject line: Comment letter for Projects 3-20 and 3-25

Dear Director:

I am a taxpayer and concerned citizen in Illinois. In addition to having served on my local school board, I was appointed to the state's Teachers Retirement System pension board. Government budgeting and accounting has always been baffling to me. I have been dumbfounded when I hear my governor and legislators claim the state budget is balanced, but Illinois continues to rack up more and more unsustainable debt, including more than \$144 billions of dollars of pension debt.

The modified accrual accounting used to account for the state's general fund seems to be part of the problem. Under this accounting the general fund financial statements make it appear that the elected officials have met the balance budget requirement. But a closer look reveals that the general fund Statement of Revenues, Expenditures and Changes in Fund Balances includes increases in the fund balance when the state borrows money, but the offsetting debt does not appear on the general fund Balance Sheet. This misinforms legislators that the state's largest budgeted fund, the general fund, has resources in it and they are not informed that those resources are offset by the liabilities the general fund will have to pay in the future.

The Illinois' supreme court has held that government employee' and teachers' benefits cannot be diminished. But Illinois' general fund balance shows no pension liability. How can that be? The general fund will be where the money to fund these benefits will come.

I also notice that the general fund balance sheet has a line titled, "Matured portion of long-term liabilities," but does not have the balance of the long-term liabilities. It is my understanding that a balance sheet is a snapshot of an entity's financial position at one point in time. Then why does the general fund's balance sheet not include all of the general fund's outstanding debt?

I would have thought that once GASB realized the shortcomings of the modified accrual accounting basis and the fact that this basis has no conceptual framework, the board would work to fix these shortcomings. But I am very disappointed that the way the board is fixing these issues is to propose a new concept statement that in essence would give this bad accounting a conceptual basis.

It is bewildering that GASB believes that the bad accounting can be fixed by changing the accounting name from the "current financial resources measurement focus and modified accrual basis of accounting" to the "short-term financial resources measurement focus and accrual basis of accounting." It is outrageous and just wrong for GASB to try to redefine accrual accounting so expenses incurred and long term liabilities can continue to NOT appear on any general fund statement. If this proposed concept statement is implemented it will diminish the credibility of accrual accounting, not just in government.

As highlighted above modified accrual accounting has major flaws and should be eliminated. But I compel the board to not replace it with something that is just as convoluted and confusing. Please stop this insanity.

Thank you for your consideration,

Tracy Kearney