Governmental self-regulation increases debt and decreases transparency

To avoid using the accounting rules corporations are required to follow, our federal government established its own standard setting boards. It operates under accounting principles established by the Federal Accounting Standards Board, which it controls. This board is controlled by the Secretary of Treasury, the director of the Office of Management and Budget and the Comptroller General, who heads the Government Accountability Office.

State and local government accounting rules are established by the Governmental Accounting Standards Board. Since its inception, this board has been dominated by government officials and others who have vested interests in the way information is disclosed on government financial reports.

For the most part, our government budgets are performed using cash-basis accounting. This means that the government's accounting method only recognizes revenues and expenses at the time cash is actually received or paid out. Many government expenses, (i.e. loans, pensions, and health care benefits) are not paid immediately, which creates an inaccurate view of the government's finances.

Cash-basis accounting allows elected officials to hide losses and liabilities, including those related to pensions and other retirement benefits, producing unclear budgets which do not provide citizens with the information needed to hold officials accountable.

The Internal Revenue Service does not allow a corporation with a revenue of over $5 million to use cash-basis accounting; however, state budgets in the billions and the federal budget in the trillions are handled in this manner.

Massive liabilities, including pensions and health care benefits, are not reported on government balance sheets. Truth in Accounting estimates that more than $67 trillion of the benefits the federal government owes seniors are not reported on the federal balance sheet and have not been included in budgets.

On the state side, Truth in Accounting's *2013 Financial State of the States* revealed almost $1 trillion of the liabilities related to pension and other retirement benefits are hidden off state balance sheets. State governments have been claiming balanced budgets, but sink further into debt because compensation costs, related to these benefits, have been put on state pension "credit cards."

Without accurate financial reports, voters do not have the information they need to cast informed votes for their leaders. Hidden liabilities make it impossible for citizens to hold their elected officials accountable. Truth in Accounting is dedicated to promoting accurate and transparent accounting at all government levels.