



# What to Expect During a GASB Hearing

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**What to expect: 10 minutes to talk, 20 minutes of questions from GASB members**

**Option: Read or summarize your comment letter, then wait for their questions**

**Possible questions/statements from GASB members and your response:**

## **GASB doesn't set budget standards.**

- That may be true, but some governments, such as Illinois and New York City, require the budget to be calculated using generally accepted accounting principles for government. Since the GASB sets generally accepted accounting principles for governments, there is a connection.

## **The current and new standards would not record loan proceeds as revenues.**

- While loan proceeds aren't included in the "revenue" section of the general fund statement, they are included as an inflow that increases the general fund balance just as revenue does. This is so confusing that in Illinois most recent budget loan proceeds are included in the budget's revenue schedule.

## **The government-wide financial statements include net pension, retiree health care (OPEB) and other long-term liabilities. If someone wants to understand the government's financial condition they could just look at those statements.**

- Governments do not budget on a government-wide basis. They budget at the fund level. Since budget decisions have long-term consequences these consequences need to be accounted for in the budgeted funds.
- Also, it is confusing to have budgeted funds financial statements that are prepared using a different accounting basis than the government-wide statements. Of course, elected officials and their employees will use the set of numbers that make them look the best. Since the budgeted funds statements do not include long-term

liabilities and related expenses, they will use those short-term statements to make decisions.

- Many politicians don't understand the difference between consolidated statements and funds statements and they can have an incentive to hide how bad things are, or choose what is easiest/most convenient to their political motives. Generally accepted accounting principles for funds statements help them do that.

## **If this is a financial reporting problem, why don't Iowa, Indiana, Wisconsin have the same problem?**

- States dominated by special interest groups are the states with the problems, which tend to be larger states. Loopholes feed the beast; less-than-honest legislators take advantage of what generally accepted accounting principles allow them to do. Loans are used to balance budgets, but they are on the other page. State and local governments throughout the country have large unfunded pension and OPEB liabilities because only the contributions elected officials chose to pay into these systems are included in the budget and reported on the governmental funds statements.

## **How can we get people to look at the consolidated entity-wide statements?**

- One way is to get the funds statements on the same basis as the entity-wide statements. You help elected officials by providing a convenient alternative. You give people the opportunity to manipulate things.
- Don't provide funds statements with misleading information that show a better financial position than the consolidated entity-wide statements do.