



## National Association of State Auditors, Comptrollers and Treasurers

June 30, 2008

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Mr. David Bean  
Director of Research and Technical Activities  
Project No. 3-18  
Government Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

Dear Mr. Bean:

On behalf of the National Association of State Auditors, Comptrollers and Treasurers, I am pleased to provide these comments about the board's exposure draft, *Fund Balance Reporting and Government Fund Type Definitions*. We agree with the board's overall approach in this ED.

Fund balance reporting. We believe that the new categories of nonspendable fund balance and spendable fund balance are useful and more user-friendly, in that they will be more easily understood by readers of the financial statements. However, we have some concerns with the number of classifications of spendable fund balance and the distinctions among them. Too many levels of spendable fund balance classifications diminish the board's objectives of usefulness and understandability. It is not clear that users of financial statements need or will understand this extent of detail.

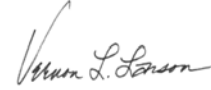
We believe in particular that the distinction between limited fund balance and assigned fund balance is subtle and that the two that should be combined into one classification. We suggest that the board revise the definition of "limited" to include paragraphs 10, 11 and 12 of the ED. Paragraph 13 then should be revised to apply only to remaining spendable amounts reported in governmental funds other than the general fund.

Governmental fund type definitions. While we agree with the definitions of the general fund, capital projects funds, debt service funds and permanent funds, several of our members raised serious concerns about the new definition of special revenue funds. One state observed that the new structure may be in conflict with state law, while another state anticipated that the new definition will effectively eliminate presentation of its special revenue funds in the fund financial statements. The ED leaves no flexibility to report funds separately based on how the state operates and what users of the financial statement expect to see. One state has a constitutionally-established revenue fund which is primarily used as a clearing account, with most of the revenues being transferred to other funds for spending. The board should clarify where such a fund should be reported.

We are enclosing with this letter a list of suggestions and questions which our members raised and which we believe will be helpful to the board as it refines and clarifies the proposed statement and then prepares an implementation guide.

We appreciate the opportunity to respond to the GASB about this important project. Should you have any questions, please feel free to contact me at [vern.larson@state.sd.us](mailto:vern.larson@state.sd.us) or 605-773-3378 or Pat O'Connor ([poconnor@nasact.org](mailto:poconnor@nasact.org)) or Sherri Rowland ([srowland@nasact.org](mailto:srowland@nasact.org)) of the NASACT staff at 859-276-1147.

Sincerely,

A handwritten signature in cursive script that reads "Vernon L. Larson".

Vernon L. Larson  
President