Letter of Comment No. 133 File Reference: 13-3PV Date Received: 3/16/12



TOWN of FRISCO

P.O. Box 4100 • Frisco, Colorado 80443

15 March 2012

Director of Research and Technical Activities **Governmental Accounting Standards Board**

Comments on Preliminary Views - Economic Condition Reporting: Financial Projections Re:

Dear Director and Members of the GASB Board:

After reviewing the Preliminary Views (PV) document related to Economic Condition Reporting: Finance Projections, I am opposed to the majority viewpoint on this issue for the following reasons:

- The CAFR is a factual document that contains historical financial information, audited financial 1. statements and known, committed future financial obligations. Projections are nonfactual information and could potentially undermine the credibility of the CAFR.
- 2. Projections are inherently inaccurate and potentially grossly inaccurate.
- 3. The farther out projections are made, the more speculative they become. This could result in many negative consequences, i.e. false perceptions of future resources, lost confidence in staff, false sense of security, delayed or accelerated capital projects, etc.
- The disclaimers required set the tone that the information is already tainted and reflects poorly on the entire CAFR.
- 5. The timing required in this proposed mandate leads to inherent inconsistencies.
- 6. Projections are more appropriate for the budget document; local governments are required to prepare balanced budgets. Projections prepared during the budget process have a far better chance of providing the most likely outcome than those required in this proposed mandate.
- 7. Projections do not meet the characteristics of required supplementary information (RSI).
- Historical information in the CAFR does provide an essential context for the future. 8.
- Financial statement users can be referred to the entity's budget to assess the future of a governmental entity.

In response to the questions for respondents, I offer the following:

Question 1: I agree with the five components; however, I do not believe projections should be included in the CAFR.

Question 2: I disagree with this PV; projections should attempt to convey the most likely outcome and should include a narrative that explains the assumptions used to arrive at those projections.

I disagree with this PV; projections should be presented using the same basis as that Question 3: entity's budget. Furthermore, I do not believe projections should be included in the CAFR.

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Question 4: Same response as question 2 above.

Question 5: I disagree with this PV; projections should not be mandated at all.

Question 6: I disagree with this PV; projections should not be included as RSI in the CAFR.

References to the budget and other documents could be included in the Transmittal Letter.

Question 7: I disagree with this PV; projections and related narrative should not be required

reporting. Projections are a part of the budget.

Question 8: I disagree with this PV; projections should not be included in the CAFR.

The Town of Frisco is a small mountain community. While we have an excellent staff, we do not have the resources to comply with this proposal. Not only would this require a great deal of staff time, it could increase our audit fees substantially. The cost benefit of this proposed mandate is indeed questionable.

Thank you for your consideration of my concerns.

Best regards

Bonnie D. Moinet, CPA/CPFO

Finance Director