



masbo

Minnesota Association of School Business Officials  
1821 University Avenue West, #5256  
Saint Paul, Minnesota 55104  
651-999-5357

February 13, 2012

Director of Research and Technical Activities,  
Governmental Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

Subject: Response to Project No. 13-3, Preliminary Views on Financial Projections

We appreciate the efforts of the Governmental Accounting Standards Board to improve quality of governmental financial reporting. The consideration of five year projections as part of the annual audited financial statements is an interesting financial deliberation.

Substantially from a cost/benefit perspective, we reject the need for financial statements to contain five year projections. We do not see a demand for this information from the general public, the financial community, or other groups. Also, if there were a need for five year projections in financial statements, the requirement should apply to all types of reporting entities: government, business, and nonprofit.

Revenues are substantially beyond the control of school districts. Revenues are primarily set by state legislation. Expenses are budgeted to conform to the available resources. Five year projections imply an overall level of control that exceeds actual management prerogative.

The five year cash inflows and cash outflows reporting would result in unrealistic long term expectations from parents, unions, and other groups. A complex issue such as the closing of a school requires school board deliberation before being reported in five year projections or in other documents. Also, state aids and independent grants may be decreased because of reported available resources.

There would be significant internal costs and external costs (independent auditor costs) to implement the five year projections. The "Preliminary Views" document, School District illustration, reporting is inconsistent with current internal school district cash and budget projection reporting. School districts generally would not emphasize cash flows in the categories suggested in the "Preliminary Views" document. In addition, school districts do not maintain extensive documentation of assumptions for audit purposes.

Furthermore, in times of repeated school district budget cuts, we consider adding the additional reporting expense to school districts with little or no benefit to be ill advised.

On behalf of school districts throughout the State of Minnesota, we request that five year projections do not become a requirement for annual audited financial statement reporting. We appreciate the opportunity to express our concerns on behalf of local school districts. Again we appreciate the work of the Governmental Accounting Standards Board to advance governmental financial reporting.

Sincerely,

Jeff Solomon, President