Letter of Comment No. 39 File Reference: 13-3PV Date Received: 3/8/12

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FLORIDA GOVERNMENT FINANCE OFFICERS ASSOCIATION, INC.

Since 1937

P.O. Box 10270 • 301 South Bronough Street, Suite 300 • Tallahassee, Florida 32302-2270 Telephone: (850) 222-9684 • Fax: (850) 222-3806 • Web Page: www.fgfoa.org

2011-2012 OFFICERS

President CHRISTOPHER LYONS, CPA, CGFO, CPFO

Finance Director City of Sarasota (941) 954-4185

christopher.lyons@sarasotagov.com

<u>President – Elect</u> MARY ANDERSON PICKLE, CGFO

Deputy Finance Administrator City of Palm Beach Gardens (561) 799-4164 manderson@pbgfl.com

<u>Secretary/Treasurer</u> DIANE REICHARD, CPA, CGFO, CPFO

Finance Director City of Temple Terrace (813) 506-6410 dreichard@templeterrace.com

<u>DIRECTORS</u> LINDA S. HOWARD, CPA, CTP, MBA

Treasurer
Orlando Utilities Commission
407.434.2168
lhoward@ouc.com

SARAH KOSER, CPA, CGFO, CPFO

Finance Director Citrus County – CCC (352) 341-6449 skoser@clerk.citrus.fl.us

JAMES LEWIN

Fiscal Analyst Lee County Budget Services (239) 533-2300 lewinj@leegov.com

KENT OLSON, CGFO

Assistant City Manager City of Coral Gables (305) 460-5206 kolson@coralgables.com

MARY-LOU PICKLES, CGFO, CMA

Revenue Accountant St. Johns River Water Management District (386) 329-4279 mpickles@sjrwmd.com

TIM POZZA, CPA, CIA, CMA

Internal Audit Director Okaloosa County - CCC (850) 689-5000, ext. 3421 tpozza@clerkofcourts.cc

GEORGINA RODRIGUEZ, CPA, CGFO

Finance & Budget Director Town of Pembroke Park (954) 966-4600 X232 grodriguez@townofpembrokepark.com

TED SAUERBECK, CPA, CGFO

Deputy Auditor General State of Florida – Office of The Auditor General (850) 487-4468 tedsauerbeck@aud.state.fl.us

JEANNIE GARNER Executive Director

March 6, 2012

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

Via email: <u>director@gasb.org</u>

Dear Sir:

On behalf of the Florida Government Finance Officers Association (FGFOA), we are pleased to respond to the Government Accounting Standard Board's (GASB) Preliminary Views of the GASB on major issues related to Economic Condition Reporting: Financial Projections. These comments were prepared based on a review by the FGFOA members, its Technical Resources Committee, and the Board of Directors.

We have reviewed the preliminary views statement and feel that rather than respond to the several individual questions posed by the Board, we would prefer to address the general nature of the objectives and rationale for this project.

The FGFOA is concerned that the GASB may attempt to use its power of setting "generally accepted accounting principles" to require the presentation of forward-looking information that attempts to capture, not the historical results of operations and financial position, but very imprecise projections of inflows and outflows for a minimum of five years. While such projections can undoubtedly be of great value to elected officials, financial managers, citizens and others (and indeed often are used in the budgetary process), they clearly lie outside the proper scope of generally accepted accounting principles (GAAP). To use GAAP to mandate the reporting of such forward–looking financial projections, in the FGFOA's view, would exceed both the GASB's jurisdiction and its technical competence.

In addition, the very nature of projecting inflows and outflows over a long period of time requires extensive use of subjective economic assumptions. These assumptions become more and more unreliable the further out into the future they go. These projections do not meet GASB's stated goal of enhancing accountability as there are no accepted sets of assumptions upon which local governments could rely. This lack of uniformity will result in an inability to create meaningful comparisons between different governments.

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Furthermore, it is unlikely that small governments, which represent the bulk of the 87,000 plus governments in the United States, would have access to the sophisticated econometric tools and skills needed to produce reliable financial projections. Hence, the value to stakeholders will be inconsistent based on the resources available to the reporting entity.

Finally, the inclusion of this category of information as required supplementary information (RSI) will lead the casual user of such RSI to assume a level of reliability that simply does not exist in a forward-looking document that extends beyond six months. Long-term economic forecasts have rarely ever seen actual results that come remotely close to the original projections. That is why forecasts are used as part of a financial planning process, not a financial reporting process. While a certain amount of the information currently included in the financial statements is the product of reasonable estimates and assumptions by management, it embodies far less subjectivity than is inherent in economic condition forecasting. It should also be noted that including this information as RSI would be in conflict with paragraph 44 of Concepts Statement No. 3, which provides that RSI should not include subjective assessments.

Therefore, the FGFOA takes the position that while forward-looking financial projections are valuable *budgeting* tools they are not suitable for inclusion in the government's financial statements, which are traditionally and universally understood to be accurate and reliable presentations of the results of the entity's operations and financial position.

We would like to thank the GASB for their efforts in preparing the Preliminary View and for the opportunity to respond. Should you require additional information, feel free to call me at 941.954.4185, or email me at Chistopher.Lyons@Sarasotagov.com.

Sincerely,

Christopher Lyons

Christopher Lyons FGFOA President