

City of  
Bellevue



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March 16, 2012

Attn: Director of Research and Technical Activities

Project No. 13-3

**Subject: Comments on GASB Preliminary Views Related to Economic Condition Reporting: Financial Projections**

Upon review of the Preliminary Views of GASB related to financial projection reporting in annual financial reports, I have the following comments as they pertain to the questions for respondents:

We do not agree with providing this information in the annual financial statements of the city. The five components of information outlined in this preliminary views are valuable information for a user to have on a governmental entity to assess its fiscal sustainability. However, this type of information would fit better with a budget document where an entity is detailing the next year's budget and forecasting out for subsequent years. Including these financial projections in annual financial reports would be duplication of effort and another unfunded reporting mandate from GASB.

We agree with the potential usefulness of the five components, but disagree that these components will give adequate information for users to assess a governmental entity's fiscal sustainability within the coming five years. Components 3 and 4 may be reasonably determined. However, projections of cash inflows and outflows are highly subjective and often dependent upon circumstances outside of a governmental entity's control. Moreover, political climate will likely pressure presentation of "best case" scenarios.

We do not agree with providing this information due to the duplicative nature of information which is presented in budget presentations. This information will lead to increased public exposure thus leading to potential legal litigation and liability for elected official and finance professionals. The budget process produces the best and most comprehensive set of projections any municipality has. Developing another product that competes in any way with this information source would be costly, confusing and a disservice to stakeholders.

The budget uses a financial forecast, which uses historical data where appropriate, but includes factors which lead to more reasonable outcome based on factors not present in historical information, such as construction activity that is one time and subject to build out limitations. In times of recession, revenue projections will be too low and in times of expansion will be too high. The information contained in the components of the economic conditions reporting would not bear strong resemblance to the budget, leading to confusion by council and other readers. As a city that operates as a zero based budget, expenditure projections don't accurately portray the fiscal position assuming that the revenue drives the level of expense.

We would not be able to use the extensive work the budget staff perform when preparing

financial forecasts; therefore, we would require more resources to accomplish timely financial statements. Timeliness of financial statements will become a thing of the past. Our audit costs would rise as audit agencies would require additional resources to accomplish government audits and would be less willing to take on the risk associated with auditing of projections.

The projections of longer than two years would be hard to project. Users of a governmental entity's financial statements are likely to rely on the financial projections because the historical purpose of the statements is to provide information on the results of operations. When future results fail to coincide with the projections, the preparers of the projection will be questioned. Despite a cautionary notice that projections aren't likely outcomes most users will not understand the difference. The cautionary notice will also caution readers that actual future financial results may be significantly different from those reported, what is the purpose of including the projections.

Respectfully submitted,

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