

City of Littleton

Finance Department

2255 West Berry Avenue
Littleton, Colorado 80120
303-795-3765
FAX 303-795-3815

March 16, 2012

Director of Research and Technical Activities
Governmental Accounting Standards Board

RE: Comments on Preliminary Views – Economic Condition Reporting Financial Projections
Project #13-3

Dear Director:

This letter is to offer comments regarding the above proposed pronouncement. I have reviewed the Preliminary View document and have concerns about this possible requirement for governmental entities.

Financial Projections should not be included in CAFR

The CAFR is a compilation of audited financial statements; it will be confusing to the user if our organizations comingle pro-forma information such as financial projections into an audited document. A user may inappropriately rely on these projections due to their inclusion in an audited financial report, thus causing a lot of confusion and possible negative press regarding the entity's financial credibility. If GASB moves forward with the pronouncement, I would *strongly* suggest moving the projections to the statistical section where a user may have less confusion that the projections were audited and may be relied on for future decision-making purposes.

Financial Projections are more appropriately placed in the Budget Document

Historically, municipalities have placed their financial projections in the budget document as a “barometer” to give the user useful information on financial trends. This helps determining possible “structural deficits” that may appear in the near future. These projections should be distinctly labeled as such and more appropriately shown in the Budget rather than the audited CAFR, which reflects *historical* information rather than future estimates.

Five years of required projections is too long

This process will be time consuming enough and trying to determine appropriate projections out five years would be an inefficient task. It's difficult projecting out one year, let along five, because so many factors affect outcomes.

Financial Projections should not be mandated

Financial projections (including format, time period, assumptions, etc.) should be an entity's choice and not a requirement. This can be a *huge* burden on smaller entities with scarce resources; also, they may have very stable revenues and expenditures, thus, not having a need to spend time and resources on five-year financial projections.

Financial Projections do not fall under GASB's guidance umbrella

The Governmental Accounting Standards Board provides guidance and standards in the preparation of financial statements; these standards relate to properly accounting for historical transactions, not future projections. This proposed standard goes beyond GASB's mission statement.

Answers to Respondent Questions

1. In general, I'm comfortable with the five components.
2. I disagree. I believe that the projections should attempt to convey the most likely outcome based on a set of pre-determined assumptions; the assumptions should be explained in detail.
3. I believe presenting two bases of accounting is inappropriate and confusing. If the projections were included in the Budget Document, they would be based on the same budgetary basis of accounting for that municipality.
4. As with #2 above, I believe the assumptions should be based on past and future events or likely events. It would be misleading to exclude logical future outcomes based on a reasonable set of assumptions and that are likely to occur.
5. As explained above, I disagree with the five-year time period. I would *recommend* presentation in the Budget Document for 3-5 years and be optional. If mandated, I would recommend the financial projections be placed in the CAFR's Statistical Section.
6. I believe the Transmittal Letter and current RSI is sufficient in presenting fiscal sustainability information.
7. I disagree that all governmental entities should be required to report financial projections. As previously stated, this choice should be left to the board/commission/council to decide based on those individual organizational needs.
8. If the GASB moves forward with this requirement, I believe a phase-in period would be appropriate.

Please feel free to contact us with any further questions at 303-795-3765.

Regards,


Doug Farnen, CPA
Finance Director