

SOUTH METRO FIRE RESCUE AUTHORITY



March 16, 2012

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

Via Email: director@gasb.org

RE: Preliminary Views on Economic Condition Reporting: Financial Projection

Dear Director and GASB Board Members:

I disagree that financial projections should be part of Financial Statements. This is purely a budget function. Comments on future financial issues can be made in the Management Discussion and Analysis. Debt service schedules are included in the notes to the financial statements, as well as information on pension obligations. These future projections are available in the budget document of the organization.

Putting financial projections in a document that has been "audited", even though it is stated that these projections are unaudited, might in some people's eyes give the projections some credibility that they do not deserve.

If it is determined to proceed with this project, I have a major issue with not including the beginning and ending cash balances in the cash flow statements. If a government has been saving cash to purchase a capital item and a major cash outflow occurs without reporting that beginning cash balance the projections will appear to be awful, when in reality it is just fine and prudent to pay as you go for capital purchases.

Determining the assumptions for a 5 year period is very difficult in these economic times. We have very positive increases in assessed values for many years. Then 2011/2012 happens with considerable negative growth. How do you make projections with historical information? Who is the expert to give advice for the future projections? We have never been through times like these. When we do Budget documents we can show a best and worst case scenario. This gives a range of possibilities without saying this is the one, which people then hang their hat on for all kinds of negotiations or whatever.

Policies can be changed as economic conditions dictate. Most governments, I believe will make adjustments to policies as things change. If you need to raise taxes in order to maintain a service, then you take it to a vote of the people. If they agree with the service, they will vote for it if not so be it. If

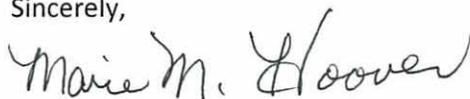
there is not enough money ways will have to be found to cut expenses or raise revenues. This may not be a written policy at this time.

Response to questions in the preliminary view.

1. I agree with the components for the most part; however you need to add beginning cash balances for the reason mentioned above.
2. I disagree with this view. Assumptions can be made to make anything look however you want. I believe the projections should be your best effort at what you believe will happen. I am not sure this would be the case in all situations.
3. I would think you would do it on the same basis as your budget.
4. I disagree. I believe the projections should be based on what the government believes to be a real outcome for the organization based on the experience and knowledge of your specific demographics. This may mean you are using somewhat different assumptions than your next door neighbor. There should be some basis for the assumptions, which can be explained and justified as in the budget document.
5. Five year projections can be done, however the further out that you get the less likely the projections are to come to pass. I truly believe this a budget function not a Financial Statement requirement.
6. I disagree. The letter of Transmittal and the Management's Discussion and Analysis discuss these issues. A sentence could be added that would direct readers to the budget document.
7. I disagree. These issues should be part of the budget document and be requirements of the GFOA Budget best practices.
8. If the GASB decides to move forward with this preliminary view, then there should be a phase in period such as that used for GASB 34.

In conclusion, I believe this a topic to be included in budget documents not the CAFR. If you would like to discuss this with me further please call 720-989-2211 or email me at marie.hoover@southmetro.org.

Sincerely,



Marie M. Hoover
Budget Director/Deputy Finance Officer