

Jefferson County

Finance Department

David P. Ehlinger, CPA, Finance Director
320 S. Main Street, Room 109
Jefferson, WI 53549-1799
Phone: (920) 674-7142
Fax: (920) 674-7368

Cindy Diestelmann
Jayne Hintzmann
Donna Miller
Tammy Worzalla, CPA

March 16, 2012

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

Subject: Project 13-3, Preliminary Views, Economic Condition Reporting: Financial Projections

Dear Governmental Accounting Standards Board members, staff, and other interested parties:

This letter is in response to GASB's proposed Reporting of Financial Projections for Assessing Economic Conditions of Governments.

I would like to go on record as opposing this proposed accounting regulation as presented.

I do not think that anyone disputes the value and need for governments to analyze their future financial prospects and perform analysis/projections along the lines suggested in the Preliminary Views document. However, such analysis should be in the context of budgets and budgetary reporting – which do not constitute historical financial reporting. As stated on numerous occasions by GFOA and others, accounting and accountability are not interchangeable terms. A government demonstrates its accountability through financial reports prepared using accounting principles, budgetary documents, and other reports/documents.

Accounting and financial reporting are focused on objective, historical information concerning such items as a government's financial position, results of operations, cash flows, and compliance with financially related legal requirements. Projections of future year projections do not present either actual or historical information. These projections are subjective and better suited for budget documents.

The political environment in every unit of government can be unique unto itself. In the case of Jefferson County (WI), our elected officials all have to run for office every two years. This gives the potential for shifts in the political will and direction every two years. Outside factors beyond the control of local governments can also greatly affect local governments. For instance, nobody could have predicted the sweeping changes that were proposed by the Governor of Wisconsin in January 2011 affecting collective bargaining. As another example, the budgetary and cash flow problems that the States of California and Illinois are experiencing greatly affects those local government units. These political events can drastically change the fiscal projections of a government.

I also see this issue as potentially harming the perceived integrity of governmental financial reporting. Readers could potentially assume that the auditor supports the validity of the fiscal projections and thus hold both management and external auditor responsible when fiscal projections turn out in hindsight to be inaccurate.

It is not reasonable to assume that an independent audit firm could give an opinion on fiscal projections within the audited financial statements. The opinion of an audit firm is based upon the fact that the financial

statements accurately represent historical data. As there is too much subjectivity in preparing fiscal projections, I do not feel that the audit firm could give their opinion on fiscal projections without appearing to give recommendations on future policy issues, thus affecting their independence.

If you want some information about future years and sustainability in the audit document, then it could be included in the letter of transmittal. There the government could discuss what the future may hold.

In summary, I reiterate my opinion that the GASB not include fiscal projections in the audited financial statements for government units.

Sincerely,

A handwritten signature in black ink, appearing to read 'David P. Ehlinger', with a long horizontal flourish extending to the right.

David P. Ehlinger, CPA
Finance Director
Jefferson County, Wisconsin