



March 16, 2012

Mr. David R. Bean
Director of Research and Technical Activities
Governmental Accounting Standards Board
Project No. 13-3
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Dear Mr. Bean:

We are writing to you on behalf of the Government Finance Officers Association (GFOA), the International City/County Management Association (ICMA), the National Association of Counties (NACo), the National League of Cities, and the US Conference of Mayors (USCM) in response to the Governmental Accounting Standards Board's (GASB) Preliminary Views (PV) on *Economic Condition Reporting: Financial Projections*.

We object in the strongest possible terms to the GASB's proposal to mandate that state and local government financial statements be accompanied by financial projections in the form of required supplementary information (RSI). We believe that the proposed mandate is unnecessary, confusing, and beyond the legitimate scope of the board's jurisdiction.

The proposed mandate is *unnecessary* because financial projections already are routinely prepared as part of the budget process and included in the budget document, which typically is posted on the government's web site, along with its financial report. Links to hundreds of such budget documents, each containing financial projections, can be found at the GFOA's web site in connection with its Distinguished Budget Presentation Awards Program. Accountability requires that citizens and other interested parties be provided with all of the information they need to make a reasonable assessment of a government's finances; it does *not* require that all such information to be part of the financial report. The concept of *accountability* extends well beyond accounting and financial reporting. In our view, the budget document is just as much a tool for demonstrating accountability as the financial report and there is no compelling reason to duplicate in the financial report information already provided in the budget document.

The proposed mandate is *confusing* because a typical government would likely produce two different sets of projections: one for use in the budget process and another prepared solely for financial reporting purposes. The former would continue to reflect a government's best estimates taking into account *likely* future developments and the government's anticipated response to those developments (e.g., reduced spending to compensate for anticipated reductions in revenue), while the latter would impose an essentially mechanical projection of future developments based solely on past trends and *known* future events. Citizens and other interested parties would more likely be confused than enlightened by the disparity between the two sets of projections. Moreover, even though RSI, by definition, is not audited, a typical reader of the financial report would likely assume that the GASB numbers were more reliable by virtue of their association with the audited financial statements.

The proposed mandate also is *beyond the legitimate scope of the board's jurisdiction*. The budget document, by its very nature, is forward-looking, making it well suited for the presentation of projected financial data. A government's financial report, on the other hand, has always focused on *historical* data. We believe that any move toward including future-oriented information within the scope of financial reporting marks a significant and unwarranted expansion of the scope of accounting and financial reporting. We do not believe it is appropriate for the GASB to thus unilaterally expand the scope of its standard-setting mandate.

Put differently, we agree with the board members who took the alternative view that the *historical* trend data presented in the statistical section of the comprehensive annual financial report (CAFR) already provide the basic information necessary for assessing sustainability and that a requirement that such information be presented as RSI should suffice to eliminate the concern that the data would not be available for governments that did not issue a CAFR.

Finally, we also oppose the proposal that the financial statements should:

provide users with the information necessary to assess the magnitude of the service interdependencies that exist between governmental entities and the implications that these interdependencies may have on a governmental entity's fiscal sustainability. This narrative discussion would assist users in determining how changes in the level of services provided by another governmental entity may impact the level or cost to continue providing services to the reporting governmental entity's constituents.

Once again, we believe the budget document already provides what is needed and that the highly subjective character of that information puts it beyond the scope of accounting and financial reporting.

Sincerely,



Jeffrey L. Esser, Executive Director and Chief Executive Officer, Government Finance Officers Association



Robert O'Neill, Executive Director, International City/County Management Association



Larry E. Naake, Executive Director, National Association of Counties



Donald J. Borut, Executive Director, National League of Cities



Tom Cochran, CEO and Executive Director, United States Conference of Mayors