

February 9, 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:

1. I do not agree with providing this information in the annual financial reports. I do agree that the five components of information outlined in this question 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.

Secondly, if a user wishes to assess the fiscal sustainability of an entity, they should look to the rating of the City. Rating agencies take into account the current financial condition of the entity and they also look to numerous factors including financial forecasts for the entity to establish a rating which correlates with the fiscal sustainability of the entity. Including financial projections in annual financial reports would be duplication of effort and another unfunded reporting mandate from GASB.

2. I agree financial projections should be based on current policy, based on historical information, and adjusted as needed for known events in the future. One of the main challenges with forecasting is anticipating change; whether its policy change, political, or unforeseen changes in financial condition. So again, the forecast is only as effective as your ability to anticipate all of these factors.
3. No opinion on this item.
4. This item I believe is a basic tenet of financial forecasting. How you arrive at your assumptions in the forecast will have the greatest impact on the projections, so you must base your assumptions on a consistent, standardized set of principles, so yes I agree with this item.
5. I do not agree with this based on comments in question 1 above.
6. I do not agree with this based on comments in question 1 above.
7. I do not agree with this based on comments in question 1 above. Financial projections are extremely important to governmental entities, but I do not feel it should be required to report these projections in the entity's annual reports.
8. If GASB does require this new reporting, I would strongly agree with a phase in of the new requirement. Smaller governmental entities will often not have financial forecasts or the resources or ability to complete financial forecasts for their entity. So to comply with this requirement many would need to hire out that service at a time when they can not afford to do so. I would recommend the ability for smaller governmental entities to opt-out of this requirement.

Thank you for your consideration of these comments.

Corey Boyer
Treasurer
City of Becker, MN