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Town of Hampstead

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January 30, 2012

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

To Whom It May Concern:

I am writing in response to your e-mail of December 6, 2011 titled "GASB Proposes Financial Projections for Assisting Economic Condition of Governments". The e-mail states that state and local governments should present five-year projections of cash inflows, cash outflows and financial obligations as required supplementary information in their financial statements.

Town of Hampstead has the following concerns related to the disclosures under consideration:

1. In response to requiring projections of cash inflows and outflows for a period of five years, it would be impossible to accurately predict future cash flows with any accuracy for that period of time. In view of the fast paced and ever changing developments in the economy, developing a one year budget has become a challenge. To further this point, when looking back over the last five years, did anyone foresee the events that would actually occur.
2. In two instances the known causes of fluctuations are listed. I can only imagine the laundry list of reasons that will be given for the market to move or assumptions to change and the legal bill incurred in determining the disclosure list. These disclosures would add little to determining the financial health of any government. This wording would also invite litigation should the market move in some other unexplainable manner.
3. Projections require assumption and subjectivity. The financial statements currently issued are audited and state only facts at this point while requiring our accountant to express an opinion on whether they fairly present the financial condition of the Town. Who will be the determining body as to whether the assumptions put forth are realistic? One government entity may see growth ahead while another entity, a significant decrease. There will be no standard against which to judge the projections put forth.

4. Your e-mail pertains to all state and local governments. There is no distinction made for small towns like Hampstead that do not have the resources (both personnel and financial) to incur the added cost of preparing five year projections. We have an office staff of four people and the proposal under considerations will place an added administrative burden on us. There are many small towns with even smaller or no staffs that would require outside accountants to prepare the proposed projections, thereby adding another cost when it can be least afforded.

In summary, we are all aware that the next few years will be challenging at all levels of government, but adding to the administrative burden and cost of issuing financial statements is unwarranted and of no benefit to the public. Further, to attempt to project forward five years is unrealistic to impossible. Overall, we believe that the annual audited financial statements of our Town are more than adequate to assess our economic condition.

Should you wish to discuss this matter further, please contact our Town Manager or me at the number listed.

Sincerely,



Christopher M. Nevin
Mayor