

Northwest Arctic Borough School District

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March 9, 2012

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

Re: Comment on Preliminary Views Project No. 13-3: *Economic Condition Reporting: Financial Projections*

Dear Director,

Please accept the following response that I have submitted for the Governmental Accounting Standards Board's (GASB) request for written comments to Preliminary Views Project No. 13-3: *Economic Condition Reporting: Financial Projections*.

Overall. I strongly feel that projections that aid in assessing a governmental entity's fiscal sustainability would be beneficial, but that these projections do not belong in the audited financial statements. I am very concerned that projections published in the audited financial statements may be misleading and cause users to have false expectations about the future performance of the government.

I am also concerned that these projections could have negative impacts on the governmental entity because many users would neither read nor understand the cautionary notice and may rely on these projections as facts. This could adversely affect the entity during bargaining negotiations, election years, debt issuance, and various other situations. Many governmental entities have bargaining agreements, which could be adversely affected in negotiation years. Also, there may be political pressure from those charged with governance to omit unfavorable information in election years.

The consensus is that this potential standard **will be burdensome** for governmental entities. The benefits to the users of the audited financial statement do not justify the additional costs associated with compiling and reporting these projections since the information that is necessary to calculate these projections is not currently available for most governmental entities. Further, this potential standard will delay the issuance of financial statements when users are requesting more timely reports.

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I do however understand the benefit of having guidance on projections in financial statements. In general, my recommendation is to have guidance like service efforts and accomplishments (SEA) reporting for voluntarily reporting projections. I strongly agree with the Alternative View in Chapter 6. Below are the responses to the Questions in the Preliminary Views.

Question 1. I strongly agree with the components of fiscal sustainability, with the following comments and concerns:

Component 1 – I am concerned about the variability in grant revenue for small governmental entities. Grant revenue may be difficult to predict from year to year.

Component 4 – I do understand the usefulness of projections of annual debt service payments, but this information is already included in the audited financial statements with the exception of the authorized but unissued debt. Authorized but not yet issued debt should be included in a subsequent event footnote. I also understand that current standards do not require disclosure of the magnitude of the next five year's payments for authorized but unissued debt but, users of the financial statements should understand that annual debt service payments may be increased. Repeating the annual debt service payments in the projections section is redundant.

Component 5 – I strongly believe that *GASB 61* takes care of some of the assumptions and effects of fiscal interdependencies that exist between various governmental entities.

Question 2. See one above

Question 3. See one above

Question 4. See one above

Question 5. In general, I agree that a minimum five years of projections beyond the reporting period is too much and unreasonable. Therefore, I think at most, governments should only be required to report three years of projections. Any more is speculative and beyond reasonableness

Question 6. I strongly disagree with the preliminary view that the components of fiscal sustainability should be required and communicated as required supplementary information. As stated above, I believe projections **should not** be required in the audited financial statements.

If this potential standard for projections is going to be required in the audited financial statements, I believe it should be reported in a separate section similar to the introductory and statistical sections. A separate section would eliminate the additional costs associated with having the entity's independent auditor responsible for these projections.

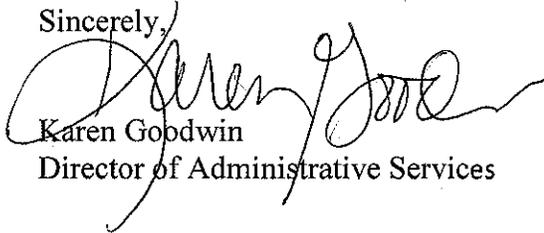
Question 7. I strongly disagree with the preliminary view that all governmental entities should be required to report financial projections and related narrative discussions. As stated above, I believe projections and the related narrative **should not** be required or presented in the audited financial statements.

Question 8. See one above

In Summary: I agree with the alternative view in Chapter 6. I strongly believe that the benefits of this potential standard do not justify the additional costs of staff resources, potential increased audit fees, and the potential adverse affect on the timeliness of the audited financial statements. Please consider making these projections reporting voluntary if they have to be made at all.

I appreciate the opportunity to provide input on the Preliminary Views.

Sincerely,

A handwritten signature in black ink, appearing to read "Karen Godwin", written over the typed name and title.

Karen Godwin
Director of Administrative Services