

Alaska Association of School Business Officials (ALASBO)
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March 15, 2012

Governmental Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116
ATTN: Director of Research and Technical Activities

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

Dear Director,

Please accept the following response from the Alaska Association of School Business Officials. We are responding to Governmental Accounting Standards Board's (GASB) request for written comments to Preliminary Views Project No. 13-3: *Economic Condition Reporting: Financial Projections*.

Overall. We 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. We are 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.

We are 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.

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

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

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

Component 4 – We 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. We 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 – We 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, we agree that a minimum five years of projections beyond the reporting period is too much and unreasonable. Therefore, we think at most governments should only be required to report three years of projections. Any more is speculative beyond reasonableness

Question 6. We disagree with the preliminary view that the components of fiscal sustainability should be required and communicated as required supplementary information. As stated above, we 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, we 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.

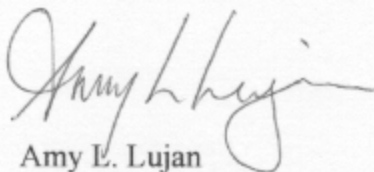
Question 7. We disagree with the preliminary view that all governmental entities should be required to report financial projections and related narrative discussions. As stated above, we believe projections and the related narrative should not be required or presented in the audited financial statements.

Question 8. See one above

Summary. We agree with the alternative view in Chapter 6. We 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.

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

Sincerely,

A handwritten signature in cursive script, appearing to read "Amy L. Lujan".

Amy L. Lujan
Executive Director