

- Consider adding that the entity should assess the extent to which it can draw on the projections and methodologies prepared by other governmental bodies and credit rating agencies (i.e., Moody's) in order to reduce the cost of such reporting, particularly for smaller entities (Chapter 4, paragraphs 2-7). For example, if a state prepared a projection related to pass-through resources to a county, the county should be able to use the state's projections. The county, however, should still be responsible for assessing the reliability of the information prior to using and should disclose the source of the information.
3. We agree with the Board's preliminary view that inflows and outflows should be projected on a cash basis of accounting, and financial obligations should be projected on an accrual basis of accounting.
 4. We agree with the Board's preliminary view that the identification and development of assumptions for making financial projections should be guided by a principles-based approach. Such an approach would set forth principles that require assumptions to be based on relevant historical information, as well as events and conditions that have occurred and affect the projection periods. Furthermore, these assumptions should be (a) consistent with each other (where appropriate) and with the information used as the basis for the assumptions and (b) comprehensive by considering significant trends, events, and conditions.
 5. We agree with the Board's preliminary view that annual financial projections should be made for a minimum of five individual years beyond the reporting period for the purpose of external reporting.
 6. In general, we agree with the Board's preliminary view that all of the components of fiscal sustainability information are essential for placing the basic financial statements and notes to the basic financial statements in an operational or economic context and therefore should be required and communicated as required supplementary information.

The fiscal sustainability information should be considered required supplementary information. Certain limited procedures should be performed by an independent auditor on required supplementary information. This would include determining (1) whether the information was measured and presented in accordance with prescribed guidelines; (2) whether methods measurement and presentation have changed from those used in the prior period; and (3) whether there were any significant assumptions or interpretations underlying the measurement or presentation of the information. These reviews are essential if the fiscal sustainability information is going to be presented in the government entity's annual financial report or comprehensive annual financial report.

7. We do not agree with the Board's preliminary view that all governmental entities should be required to report financial projections and related narrative discussions. In this case, we do agree with the Alternative View that the question of the cost-benefit relationship for some governmental entities in reporting financial projections and related narrative discussions should be further assessed. This requirement will likely cost jurisdictions more staff time and financial resources to implement. Particularly for smaller jurisdictions with more limited staff and funding for auditors to review the material, this may be difficult to put in place. Some jurisdictions, even larger ones, are already challenged to get out their statements in a timely manner, and this requirement may have the unintended consequence of making them come out even later. We recommend that you consider this requirement very carefully.
8. Should fiscal sustainability reporting be required, we agree that a phased-in implementation period would be appropriate. We believe that the type of phase-in period should be decided after the determination of what government entities should be required to report. The example provided that governmental entities over a certain dollar threshold would implement first is sound.

In addition, we have some comments for GASB to consider that are outside of the questions for respondents provided in the preliminary views, which are as follows:

- ✓ In Chapter 2, pages 5-6 the definition of economic condition and fiscal sustainability includes both the "*ability* and *willingness* to meet its obligations". The Preliminary Views address *ability* when determining projections; however, it does not address *willingness*. Chapter 3, paragraph 32, discusses that the "projection of a governments' willingness is difficult, if not impractical". Nevertheless, the definition in Chapter 2, paragraph 4 is clear that in order to assess economic condition, users need information regarding both *ability* and *willingness*. We feel that without addressing both, the information will not be as complete, even if it is a difficult task. At the very least, willingness should be addressed in the narrative.
- ✓ In Chapter 2, page 6-7, the definition of the further explanatory language of fiscal sustainability should include the aspect of *vulnerability*. *Vulnerability* is the extent to which an entity is fiscally dependent upon funding sources outside its control. In addition, we believe the definition provided in paragraph 8, on page 6, should read, "...government's ability and willingness to generate or seek inflows of resources..." It seems that some entities when they have reliance on others for resources might not be able to generate enough resources to cover their short falls; however, they may be able to seek other avenues for those resources. For example, a local parks program may not generate enough resources to maintain all their parks; however, certain grants may be available to help compensate those shortfalls.

- ✓ In Chapter 5, paragraphs 18-20, the preliminary views refers to the primary governments facing the reporting requirement, and not having to include projections on discretely presented component units. This information seems a little confusing in comparison to the rest of the preliminary views information when the document refers to “all governments”. We suggest that be clarified. For example, should a semi-independent agency be required to report on fiscal sustainability? If the requirement reads “all governments” it seems like they would have to, but if it read “all primary” then they would not.

We appreciate the opportunity to respond to this preliminary view.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Kristine Adams-Wannberg".

Kristine Adams-Wannberg
Chair, Professional Issues Committee