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February 29, 2012

Ms. Stephanie Fox  
Technical Director  
International Public Sector Accounting Standards Board  
International Federation of Accountants  
277 Wellington Street West, 6<sup>th</sup> Floor  
Toronto, Ontario M5V 3H2 CANADA

Dear Ms. Fox:

On behalf of the Association of Government Accountants (AGA), the Financial Management Standards Board (FMSB) appreciates the opportunity to provide comments to the International Public Sector Accounting Standards Board (IPSASB) on its October 2011 exposure draft (ED) entitled *Reporting on the Long-Term Sustainability of a Public Sector Entity's Finances*. The objective of the exposure draft is to provide guidance, through a Recommended Practice Guide, on how an entity may supplement their statements by presenting projections of inflows and outflows and other complementary information on an entity's long term fiscal sustainability.

The FMSB is comprised of 25 members (list attached) with accounting and auditing backgrounds in federal, state and local government, as well as academia and public accounting. The FMSB reviews and responds to proposed standards and regulations of interest to AGA members. Local AGA chapters and individual members are also encouraged to comment separately.

The FMSB has some general comments and shall also address the specific matters for comment that are included in the exposure draft.

The FMSB supports the belief of the IPSASB that the users of general purpose financial statements would be well served if they were provided with supplemental information on the long term sustainability and the anticipated impacts of a government's current policies. Such information is not fully reflected in the general purpose financial statements because these statements are based on historical, objectively established information, which accordingly should not contain projections other than those established under legal contracts (e.g. debt repayments and scheduled lease payment). Recent events in the European Union have demonstrated the need for all governments to report on the long term fiscal sustainability of their programs and their ability to meet their financial obligations.



The ability of governments to report long term sustainability information has been recently demonstrated by the United States government. The Federal Accounting Standards Advisory Board (FASAB) issued SFFAS No. 17 which requires the federal government to report on the long sustainability of social insurance programs. Although the value of such information as it may impact decision making by the U.S. Congress has not yet been established, it is believed that currently reported sustainability information should bear on Congressional decision making. We have reviewed the ED and the suggestions regarding what should be measured and how it should be measured. We agree that the indicators proposed by the IPSASB are appropriate indicators for long term sustainability and that the dimensions provide a sound framework. However we do have concerns about how this information would be presented. The ED leaves the reporting of this information as optional for the government entity. It would seem that for sovereign entities, reporting of this information should be mandatory. However, we believe that such information should be clearly identified as supplemental to the audited annual financial statements and presented at a different level of reliability.

Below the sovereign level of government, the issue of sustainability for programs and services will relate to several factors, including the willingness and constitutional ability to raise additional revenues and the prospects for support from the next higher level of government. For example, if a city is not sustainable, the citizens might expect assistance from a higher level of the country's government. However, at the sovereign level, the ability to provide such assistance may be restricted by sustainability issues.

We believe that the IPSASB should also provide guidance on the method of reporting for this information and some examples for users to examine. The current ED does not specify whether this information should be provided in a new statement, in footnotes to existing statements, or in some other format. Some guidance should be provided in this area. If the information is desirable as well as critical for users, some standards should be set for its presentation so as to make information comparable, not only from year to year within an entity but also comparable between government entities. Following are our answers to the specific matters for comment in the ED.

### **Comments to Specific Matters**

1. Do you agree that the characteristics of an entity that indicate whether users exist for information on long-term fiscal sustainability are those set out in paragraph 15? If you consider that there are more appropriate indicators please provide them.

**FMSB Response-**We agree with the characteristics set forth in paragraph 15 of the ED. We have no additional suggestions for the IPSASB.

2. Do you agree that the “dimensions” of long-term fiscal sustainability in paragraphs 27–37 provide a viable framework for narrative reporting on the long-term sustainability of an entity's finances that complements and interprets the projections? If not, how would you modify this approach?

**FMSB Response-**We agree with the dimensions of long term sustainability in paragraphs 27-37. We would suggest that the IPSASB also include a requirement that sovereign governments report any annual budget deficit as a percentage of GDP.

3. Do you agree with the guidelines in this ED on disclosure of principles and methodologies, including risks and uncertainties? If not, how would you modify these guidelines?

**FMSB Response**-We agree that disclosure of the principles and methodologies, including risks and uncertainties, should be disclosed.

We would like to thank you for allowing us to submit our comments to the exposure draft. Should there be any questions regarding our comments, please contact Steven Sossei at [ssossei@agacgfm.org](mailto:ssossei@agacgfm.org).

Sincerely,

A handwritten signature in black ink, appearing to read 'Eric S. Berman', with a long horizontal flourish extending to the right.

Eric S. Berman, CPA, Chair  
AGA Financial Management Standards Board

cc: Richard O. Bunce, Jr., CGFM, CPA  
AGA National President

**Association of Government Accountants  
Financial Management Standards Board**

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