MAY YOU LIVE IN INTERESTING TIMES. This is a purported Chinese proverb and curse. The current economic downturn and its transcendent transformation process on state government certainly qualify from my perspective as “interesting times.” Many may view these times from a curse perspective, especially given the attendant difficulties and negative outcomes. I prefer to view these times with the same light offered by many proverbs; with the intent to be taught and instructed on fundamental principles, which, if followed, can prevent future misery and yield a large measure of good. The key is to determine what we are going to do with our circumstances and opportunities, then do it.

The NASC Annual Conference is one of the key opportunities to put our issues in perspective and provide potential solutions. While there are many fiscal and travel constraints, I hope to see you at the conference here in Phoenix next month.

The Program Committee, headed by Brenda Bolander (OK), chair and Richard Eckstrom (SC), vice-chair, has developed a great program that provides technical training customized to current issues facing us as state comptrollers. Also, a reminder about the 2011 NSAA/NASC Joint Middle Management Conference, April 13-15 in Portland, Oregon; John Radford (OR) and Kim Wallin (NV) have served as the NASC co-chairs, and their committee has a great program in store for attendees. My experience is that the information we bring back from these events more than pays for the time and cost of attendance.

Since last year’s annual conference, NASC’s Outreach Committee has welcomed several new comptrollers and invited their participation in our conferences, committees, information sharing groups, and other activities.

New comptrollers since our last annual conference in March 2010 are:

- Jeff Atwater, Chief Financial Officer, Florida
- Steve Barnett, State Auditor, South Dakota
- Marty Brown, Director, Office of Financial Management, Washington
- Cynthia Cloud, State Auditor, Wyoming
- Bruce Coppa, State Comptroller, Hawaii
- Charlie Daniels, State Auditor, Arkansas
- Michael Keays, State Accounting Administrator, Nebraska
- Tim Keen, Director of Office of Budget and Management, Ohio
- Kevin Lembo, Comptroller, Connecticut
- James Schowalter, Commissioner of Management and Budget, Minnesota
- Judy Baar Topinka, State Comptroller, Illinois

I appreciate the wonderful service provided by the 2010-11 NASC Executive Committee: Brenda Bolander (OK); vice president; Richard Eckstrom (SC), secretary/treasurer; Calvin McKelvogue (IA), past president; Kim Wallin (NV); Paul Christofferson (MT); and David McDermott (CO). They are great examples of public servants and give unselishly to all of us.

I don’t think any of us can ever thank Kinney and his staff enough for all of the support and administration that keeps NASACT and NASC functioning so well. Kim O’Ryan, Donna Maloy, Glenda Johnson, Cornelia Chebinou, and the rest of the staff help us enjoy tremendous educational programs, keep us well-informed, and provide a wealth of

(articed continued, next page)
Finally, I extend great appreciation to the chairs, co-chairs and members of each committee and information sharing group. There are so many of you and your work gets at the heart of so many of the issues and opportunities that we face. These vehicles provide perhaps the greatest opportunity for involvement for most of our staff, and allow us to evaluate if there are additional opportunities that we are not yet maximizing.

I firmly believe our benefit is highly correlated to our involvement. Here are some benefits from my perspective.

1. Great people.
2. Collegial atmosphere.
3. Access to a wealth of knowledge in other states. Need a sounding board? Someone wearing your same shoes in another state is just a phone call or email away. Also, why reinvent the wheel if someone else already has a solution that can be adapted for your use?
4. Many problems and issues are addressed more easily through the sharing of ideas and coordinated efforts of the states. We can succeed collectively on issues that are overwhelming when tackled individually.
5. Rewarding. It’s great to work hard on challenging things, achieve success, and build for the future.
6. Relationships. When people help each other, particularly in difficult times, you have an opportunity to develop rich rewarding relationships that transcend the work or problems being addressed.
7. Great people. Yes, I already covered that one… but isn’t it really true?
8. Value. NASC delivers what matters.
9. Fun! I know, only we would consider what we do fun!

We each have our own reasons for our involvement. Whether you are new to the organization or a veteran, I believe delivering value to our respective states is paramount. It’s always important, but perhaps increasingly so during these difficult times. I would suggest that we all take an opportunity to review the committees and information sharing groups, along with the other NASC activities, to see if we are taking advantage of all of the opportunities and benefits available. Also, we should look back and view how much we have collectively accomplished. We often work on some very difficult and daunting tasks, and it can be frustrating that we are not making the progress we desire. However, when viewed collectively and over time, we can see incredible progress and accomplishment, which gives us a perspective of what we can yet achieve.

These are very interesting times. Yet, if the best predictor of future performance is past performance, we can be confident in our achievements and collective capacity to address difficult issues. The NASC future looks very bright indeed!

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CLARK PARTRIDGE is state comptroller of Arizona. He has been with the state of Arizona for 19 years. He is president of the National Association of State Comptrollers and chair of several NASACT Committees. Mr. Partridge has a bachelor of science degree in accounting from Brigham Young University. He is a certified public accountant and a certified government financial manager.

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**It's Not Too Late to Register!**

**2011 NASC Annual Conference**

March 23-25, 2011  Phoenix, Arizona

The 2011 NASC Annual Conference will be held at the **Embassy Suites**. The room rate is $169/night plus applicable taxes. To book your room, contact the reservations manager directly: Paul Kaczmarowski, (602) 765-5818.

All NASC principals are eligible to receive $750 of travel assistance to attend. Visit www.nasact.org for details!
Government Withholding Relief Coalition Continues Push to Repeal 3% Withholding Requirement

The Government Withholding Relief Coalition, of which NASACT is a member, is continuing its push on Capitol Hill to repeal the three percent withholding requirement. The provision, which was passed in 2006, would require federal, state and local governments to withhold three percent on most payments including Medicare payments, farm payments, and certain grants.

Under the law, governments (and political subdivisions exceeding aggregate payment of $100 million or more for goods and services) are required to withhold three percent regardless of whether the government making the payment is the recipient of the goods or services. The law exempts several payment types from the provision including those made through public assistance or welfare programs where eligibility is needs or income based. Payment for health or other services based on age would not be exempt. Some of the other exemptions include payments of interest, payments for real property, payments to tax-exempt entities or foreign governments, intra-governmental payments, payments based on a classified or confidential contract and to a government employee not otherwise excludable with respect to their service as an employee.

With an impending implementation date of December 31, 2011, there appears to be a heightened interest in the provision on Capitol Hill. The Government Withholding Relief Coalition is meeting with members of the appropriate congressional committees to garner support. Currently there are repeal bills pending in both the House and Senate. In the Senate, Senators David Vitter (R-LA), Richard Burr (R-NC), Jim Inhofe (R-OK), Johnny Isakson (R-GA) and Roger Wicker (R-MS) introduced S. 89, and Senators Scott Brown (R-MA), Olympia Snowe (R-ME) and Amy Klobuchar (D-MN) have introduced S. 164. In the House, long-time supporter and co-sponsor of formerly introduced repeal provisions, Rep. Wally Herger (R-CA), has teamed up with Earl Blumenauer (D-OR) to introduce H.R. 674.

On the regulatory front, state and local governments are still awaiting the final regulations from the Internal Revenue Service. In 2008, a proposed rule was issued establishing a $10,000 threshold. In December of 2010, the IRS issued interim guidance (Notice 2010-91) concerning the application of the three percent withholding requirement (Section 3402[t]) to payments made by credit, debit, stored value and other payment cards. The guidance states that the three percent withholding requirement will not apply to payment card transactions until further guidance is issued and will not apply until 18 months after the guidance is issued.

Help Repeal the 3% Withholding Requirement

NASACT is asking all members to contact their congressional delegations to ask for support of these important provisions. A draft letter template is available on NASACT’s website at www.nasact.org/washington/announcements.cfm. Please include in your letter specific information about potential costs to your state, as Congressional members have requested cost estimates when discussing the provision previously.

Contact information for senators can be found at www.senate.gov and representatives at www.house.gov. Please copy any correspondence to the NASACT Washington office at cchebinou@nasact.org so that a compendium of letters can be maintained and NASACT staff can follow up with the individual congressional offices. Any questions about this issue should be directed to Cornelia Chebinou or Neal Hutchko at (202) 624-5451.

1099 Repeal Gaining Traction

Last year a provision was included as part of the Health Care Reform legislation to expand the current 1099 reporting requirement to any entity from which a purchase of $600 or more in goods and services was made. Previously, payments to corporations were exempt from the reporting requirement.

Since the passage of the provision, the business community has been aggressively lobbying for repeal, which has broad bipartisan support on Capitol Hill. On Feb. 17, the Senate passed the Federal Aviation Administration Reauthorization Bill which includes an amendment to repeal the expanded Form 1099 reporting requirement. The same day, the House Ways and Means Committee approved a bill to repeal the unpopular reporting provision. The House bill now awaits action on the House floor, where debate is expected due to the controversial pay-for provision which would require some taxpayers to repay a portion of their overpaid tax subsidies provided to purchase health insurance under the health care reform law.

Get Info on the Financial Position of the U.S. Government. Visit Treasury’s new interactive website for the 2010 Financial Report of the U.S. Government and the Citizen’s Guide to the Report, both of which can be found at http://fms.treas.gov/fr. Both documents report on the financial position of the U.S. Government. You can drill down for more detail on the underlying data and can access individual agency statements and other related resources. There is a link within the website to send your comments to Treasury and another link for any questions you might have for the Financial Management Service, which compiles the report.
State and local government organizations have come together to get out the facts on the condition of municipal finance in response to a bevy of news reports and congressional interest in the matter. The groups include the National Governors Association, National Conference of State Legislatures, Council of State Governments, National Association of Counties, National League of Cities, U.S. Conference of Mayors, International City/County Managers Association, National Association of State Budget Officers, NASACT, the Government Finance Officers Association, and the National Association of State Retirement Administrators.

Recent statements in the press and on Capitol Hill claim that bankruptcy for states is necessary due to impending municipal defaults and unsustainable pension plans. While states and localities are facing troubling economic times, most states are required to balance their budgets and already have the tools necessary to close their budget gaps; bankruptcy for states is neither needed nor wanted. In fact, such conversation can be treacherous according to the state and local organizations that issued the fact sheets. The “mere existence of a federal law allowing states to declare bankruptcy would only serve to increase interest rates, rattle investors, raise the costs to state and local governments, create more volatility in the financial markets, and erode state sovereignty under the tenth amendment of the U.S. Constitution.”

Additionally, news reports of impending defaults are muddying the waters. Some reports claim that there will be a spate of municipal defaults. The fact sheet reminds readers that municipal securities are second only to U.S. treasuries in terms of risk level and that municipal defaults are relatively rare; since 1970 there have been only 54 defaults (excluding technical defaults where only a covenant is violated but no payment is missed). The historical default rate of municipal bonds is only one-third of one percent as compared to the corporate default rate which exceeds 10 percent. The fact sheet states that debt service is typically only about five percent of general fund budgets and that most state and local governments operate under a standard practice of paying their debt first before covering all other expenses. Finally, the fact sheet points out that even in cases of municipal bankruptcy, governments have not defaulted on their debt obligations.

Regarding public pensions, the fact sheet says that states are modifying their pension plans to help mitigate and eliminate unfunded liabilities. Pension plans currently face significant underfunding due to the recession and stock market declines. State and local governments, however, are making changes to benefit levels and contribution rate structures to remedy the situation. The fact sheet notes that public pensions are not in crisis and that public pension liabilities, debt loads and retiree health benefits are issues with a long-term horizon. Pension benefits are funded and paid out over decades.

In summary, the groups get the point across that state and local governments have the tools necessary to address these challenging issues by making tough spending cuts and, if necessary, raising taxes, to meet the challenges of this troubling economic environment. “States never contemplated walking away from the obligations to residents or to the bond market by allowing states to have bankruptcy protection.”

A copy of the fact sheet is available on NASACT’s home page at www.nasact.org.

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**We Saved You a Seat!**

When planning your attendance at conferences this year, don’t forget about NASACT’s Travel Assistance Program! The program provides assistance for each NASACT member (or designee) to attend:

- **2011 NASC Annual – March 23-25, Phoenix, AZ**
  - $750 for each member (or designee)

- **2011 NSAA Annual – June 14-17, Williamsburg, VA**
  - $750 for each member (or designee)
  - NSAA will also provide additional assistance to new state auditors

- **2011 NASACT Annual – August 13-17, Burlington, VT**
  - $1,000 for each member (or designee)
  - Free registration for each new state auditor, state comptroller or state treasurer ($600 value)

*For more about the Travel Assistance Program, call (859) 276-1147.*
The House Continues to Focus on “State Bankruptcy” In February

Even though no states have asked for it, allowing states to declare bankruptcy has continued to be a much-discussed topic in the House during the month of February.

The month began with a hearing held by the House Oversight and Government Reform Subcommittee on TARP, Financial Services and Bailouts of Public and Private Programs to look at the effects of public pensions on state finances. During the hearing, which was titled “State and Municipal Debt: The Coming Crisis,” Subcommittee Chair Patrick McHenry (R-NC) painted a bleak picture of state finances, indicating that state and local government defaults were coming soon because of “the looming burden of paying out trillions of dollars in lucrative public sector union pension and health care benefits that come at the expense of taxpayers.”

The intent of the hearing was to look at public pensions as they relate to rumored state defaults. Iris Lav of the Center for Budget and Policy Priorities pointed out to the subcommittee members that pension funding is only 3.8 percent of state budgets and that before the recent recession pensions were funded at 100 percent of future liabilities. Since state budgets are cyclical, as the economy improves, so will the pension funding situation.

On the same day, Rep. Devin Nunes (R-CA) re-introduced the Public Employee Pension Transparency Act for the 112th Congress. The bill was previously introduced in December in the lame duck 111th Congress (see December 2010 NASACT News). In re-introducing the bill Rep. Nunes stated:

“Government at all levels needs to take its collective head out of the sand. We have enormous challenges associated with government spending and entitlements… Public employee pensions represent trillions of debt carried by the American taxpayer. Unfortunately, this debt is masked by [governmental] accounting practices that would never be tolerated in the private sector (emphasis added). It’s time to open up the books. Once we enact this bill, retirees, government workers, policy makers, and most importantly the people who are paying the bills, can make up their own minds about the soundness of public pensions.”

A week later, the House Judiciary Subcommittee on Courts, Commercial and Administrative Law held a hearing titled “The Role of Public Employee Pensions in Contributing to State Insolvency and the Possibility of a State Bankruptcy Chapter.” Panelists included Dr. Joshua Rauh, associate professor of finance, Kellogg School of Management, Northwestern University; James Spiotto, an attorney from the Chicago law firm of Chapman and Cutler; Matt Fabian, director of Municipal Market Advisors; and Keith Brainard, research director for the National Association of State Retirement Administrators.

While the crux of this hearing was to review the plausibility of a federal bankruptcy law for states, there was quite a bit of controversy surrounding Dr. Rauh’s calculations and policy papers on the current status of state finances and state/local government pension plans. His stance has come under intense fire since he proclaimed:

“…the bills will be so large that the ability of state and local governments to operate will be threatened…” and that “The Government Accounting Standards Board (GASB) has been complicit… by allowing a form of accounting for these promises that violates the principles of financial economics.”

While none of the panelists seemed to support state bankruptcy, it became very apparent that there was a clear divide among the panelists regarding the sustainability of public pension plans. The hearing video and testimony from all panelists can be found at http://judiciary.house.gov/hearings/hear_02142011.html.

In addition, Senators Richard Burr (R-NC) and John Thune (R-SD) introduced the Senate version of The Public Employee Pension Transparency Act as the companion piece to the legislation introduced by Rep. Nunes in the House. Sen. Burr, upon introduction of his bill, stated:

“For too long, taxpayers and government employees have been denied information about how badly government worker pension plans are underfunded. My bill would simply shed some light on these enormous liabilities. This information is only for the purpose of public disclosure; it does not tread on the rights of states and local governments to fund and control their own pension plans… My bill also prevents a federal bailout of state and local government pension plans, empowering local governments to make the reforms needed to ensure problems cannot be dumped on taxpayers down the road.”

In response to the rumored need for state bankruptcy protection, the National Conference of State Legislatures (NCSL) and the National Governors Association (NGA) sent a joint letter to Congressional leaders stating their opposition to proposals that would allow states to declare bankruptcy. The letter, addressed to Speaker of the House John Boehner, House Minority Leader Nancy Pelosi, Senate Majority Leader Harry Reid, and Senate Minority Leader Mitch McConnell, stated:

“The reported bankruptcy proposals suggest that a bankruptcy court is better able to overcome political differences, restore fiscal stability and manage the finances of a state. These assertions are false and serve only to threaten the fabric of state and local finance… State and local bonds and fiscal instruments remain some of the safest investments in the world… the mere discussion of legislation, let alone the existence of a law allowing states to declare bankruptcy would only serve to increase interest rates and create more volatility in bond markets.”

The full letter can be viewed at www.nga.org/portal/site/nga/menuitem.cb6e7818b34088d18a278110501010a0/?vgnextoid=ae79fe3f981fd210VgnVCM1000005e0100aRCRD.

NASACT will continue to monitor developments in this area and keep members informed. Questions may be directed to NASACT’s Washington office at (202) 624-5451.
New at www.nasact.org

The following NASC technical inquiries are now available at www.nasact.org/nasc/technical/index.cfm:
- Medicaid and Welfare Payments
- Accounts Payable Recovery Audit
- Non-OVERNIGHT Per Diem
- Funding Methods for State Comptroller Offices
- Shared Services
- Conversion of Paper Disbursements to Electronic

NASC’s Multi-State Consortium on Internal Control recently released the Grant Administration Guidance Section of the “Internal Control Questionnaire” at www.nasact.org/nasc/committees/multistate/index.cfm.

Middle Management Conference Scholarships Available Through NSAA

The National State Auditors Association is currently accepting scholarship applications for attendance at the 2011 Middle Management Conference scheduled for April 13-15, 2011, in Portland, Oregon. Applications are due by Monday, February 28. For additional information about NSAA’s scholarship opportunities, email Sherri Rowland at srowland@nasact.org

NASCARTSeeks Input on GASB ED

On February 14, the Governmental Accounting Standards Board issued an exposure draft Derivative Instruments: Application of Hedge Accounting Termination Provisions. The Board believes the requirements of this proposed statement would enhance comparability and therefore improve financial reporting by clarifying what constitutes a termination event for accounting and financial reporting purposes.

The Board has asked for comments on all matters in this ED including comments on any aspects with which you agree as well as any with which you disagree. The Board requests that you explain the reasons for your views, including alternatives that you believe should be considered.

The ED can be downloaded from the GASB’s website at www.gasb.org.

NASACT will be preparing an association position on this ED. In order to include your comments in NASACT’s response, send them to Kim O’Ryan (koryan@nasact.org) or Sherri Rowland (srowland@nasact.org) by Friday, March 25.

NSAA Seeks Input on AICPA SAS

The American Institute of Certified Public Accountants’ Auditing Standards Board has released for comment an exposure draft of a proposed statement on auditing standards entitled Alert as to the Intended Use of the Auditor’s Written Communication. This proposed SAS would supersede SAS No. 87, Restricting the Use of an Auditor’s Report. This proposed SAS has been issued using the ASB’s clarity drafting conventions. The proposed SAS does include changes from existing standards (see page 5 of the exposure draft). One important revision for state auditors to note is a change in practice for auditors citing GAGAS in their audits.

The proposed SAS can be found on the AICPA’s website at www.aicpa.org/Research/ExposureDrafts/AccountingandAuditing/Pages/ExposureDrafts_ASB.aspx.

Through the Audit Standards and Reporting Committee, NSAA will be responding to this ED. Please send your comments for inclusion in NSAA’s letter to Sherri Rowland at srowland@nasact.org by Friday, April 1.

Mark Your Calendar: Upcoming Information Sharing Calls

To get information about joining a NASC group, contact Kim O’Ryan at koryan@nasact.org. To join the other groups, contact Glenda Johnson at gjohnson@nasact.org. Summaries of past calls and resources from these groups can be found at www.nasact.org (you must log into the site to view the information).

March 2011
- NASACT Committee on Accounting, Reporting and Auditing – March 8
- NASC Federal Tax Reporting Work Group – March 8
- NASC Statement 54 Work Group – March 16

April 2011
- NASC Transparency – April 19
- NSAA Human Resources – April 28

May 2011
- NSAA Performance Audit – May 5
- NASC State Government Payroll – May 11
- NASC Travel and Purchase Card – May 18
Register now for the webinar “Public Private Partnerships: From Accounting to Implementation.” The webinar will be held on Tuesday, March 15, at 2:00 p.m. Eastern time.

Budget shortfalls are requiring states to fundamentally reassess their approaches to the delivery of public services. At the same time, increasing investment in the nation’s critical infrastructure is required to maintain and enhance economic competitiveness.

An increasing number of state and local government agencies are now turning to the private sector to assist in the financing and delivery of public infrastructure through the use of “Public Private Partnerships” (P3). Under these P3 models, consortia of private companies assume responsibility for the design, construction, financing and operation of new or existing public infrastructure under a variety of different models.

Recognizing the increased usage of P3 models, in November 2010 the Governmental Accounting Standards Board issued Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements. Common examples of service concession arrangements discussed in GASB No. 60 include long-term arrangements involving toll roads, hospitals and student housing. The statement provides guidance on transferor accounting and financial reporting for facilities and related payments from an operator and how to record the associated obligations of the government.

This webinar will:
- Outline the drivers for P3 projects.
- Identify sectors where P3 delivery models have been used or potentially could be used.
- Describe a number of P3 delivery models.
- Provide case studies of recent P3 transactions, the practical implications of each and the lessons learned for future projects.
- Highlight specific examples and identify considerations for states considering future P3 projects to improve infrastructure delivery.
- Discuss the accounting and financial reporting for different P3 models in the context of GASB Statement No. 60.

Neil McMonagle, Grant Thornton, James White, Maryland Port Administration, and Todd Webster, GASB, will share their knowledge and experiences during this event. In addition to hearing scheduled segments from our speakers, you will be able to ask questions during a live Q&A session.

This webinar offers something for all government auditors, comptrollers and other government officials with a role in delivering public infrastructure. Please feel free to share this opportunity with others within your government who might be interested in this topic.

**General Information**

- **Date:** Tuesday, March 15, 2011
- **Time:** 2:00–3:50 p.m. Eastern time
- **Speakers:**
  - Neil McMonagle, Senior Manager, Grant Thornton LLP
  - Todd Webster, Practice Fellow, GASB
  - James J. White, Executive Director, Maryland Port Administration
- **CPE:** Two Credits
- **Cost:** $249.00 per group (unlimited attendance); $50 per person; or $0 if no CPE
- **Register:** Register online today at www.nasact.org
- **More:** For additional information, visit www.nasact.org or call Pat Hackney at (859) 276-1147

**NASACT Announces Upcoming Webinars: Mark Your Calendar**

- March 15 – Public Private Partnerships: From Accounting to Implementation
- May 4 – Government Auditing Standards, 2011 Revision
- July 20 – GASB Update: Standards You Need to Know

If you have an idea for a webinar topic, email kpoynter@nasact.org!
The GASB Considers Additions to its Conceptual Framework That Could Have Significant Impact on Governmental Fund Presentations

The Governmental Accounting Standards Board, through its current conceptual framework project addressing recognition and measurement approaches, is considering an approach that could substantially change the type of information presented as part of governmental fund financial statements. NASACT members are encouraged to closely monitor the developments of this project because of the importance of governmental fund presentations.

The GASB's Conceptual Framework

The GASB’s conceptual framework is made up of the GASB's concepts statements, which provide a foundation to guide the Board’s development of accounting and financial reporting standards. At present, the concepts statements address the objectives of financial reporting, communication methods, elements of financial statements, and service efforts and accomplishments reporting.

Unlike GASB statements, concepts statements do not establish accounting and financial reporting standards, but instead create a standards-setting framework built on interrelated objectives and fundamental concepts. The primary purpose of the framework is to guide the Board and help it to maintain a consistent approach from standard to standard. The concepts statements also may be a source of guidance to help practitioners in certain situations resolve issues not addressed in authoritative pronouncements.

Recognition and Measurement Attributes Project

As noted above, the GASB is currently at work on another building block of its conceptual framework in a project that addresses recognition and measurement approaches. The objectives of the project, which will ultimately lead to a concepts statement, are (1) to develop recognition criteria for what information should be reported in state and local governmental financial statements and when that information should be reported and (2) to consider the measurement approach or approaches (for example, initial or re-measured amounts) that should be used in governmental financial statements.

Concepts for governmental fund financial statements—or, financial statements prepared using the current financial resources measurement focus—are an important component of the project. Currently, what is applied in practice in this area has developed over time and is generally not regarded as being conceptually consistent.

At this stage in the project, the Board has tentatively agreed that the existing method of presenting information in current financial resources financial statements should be replaced with a near-term financial resources measurement focus, which recognizes balances from a near-term perspective and flows of financial resources for the reporting period. Near-term (a time period likely to be specified in a standard versus a concepts statement) refers to the period subsequent to period end during which financial resources can be converted to cash to satisfy obligations for spending of the reporting period. Consequently, the assets recognized are financial resources that were available for spending during the reporting period and net assets (fund balance) represents the residual amount of financial resources left unspent at the end of the reporting period.

An objective of financial statements prepared using the near-term financial resources measurement focus would be to assist users in evaluating operating results by presenting information about sources and uses of financial resources. The near-term financial resources measurement focus is based on a symmetrical concept: assets include resources that are normally receivable and due to convert to cash within the near-term (as well as cash and financial resources that are available to be converted to cash within the near-term) and liabilities include those normally payable and due within the near-term.

The Board has tentatively decided that the most appropriate due process document at this stage of its deliberations would be a preliminary views document that would include these recognition concepts, as well as recognition concepts for financial statements prepared using the economic resources measurement focus and measurement approaches. A preliminary views document is designed to set forth and seek comments on the Board’s current views at a relatively early stage in a project.

Due to these potentially significant changes, the GASB encourages NASACT members to respond to the forthcoming preliminary views document, which is expected to be issued in mid-2011. At that time, the document will be available on the GASB website, www.gasb.org, for free download.

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The “GASB Update” is provided by staff from the Governmental Accounting Standards Board. The next “GASB Update” will be in the March 2011 issue of NASACT News.
Association Notes

NASACT Lifetime Member Earle Morris Dies, 82

Earl Morris, Jr., lifetime member of NASACT and former comptroller general of South Carolina, died on Friday, February 11 after a battle with prostate cancer. He was 82.

Mr. Morris was elected at age 21 as a member of the South Carolina House of Representatives from 1951 to 1955. He was elected to the South Carolina Senate from 1955 to 1971 and was former chairman of the Joint Committee on Mental Health and Mental Retardation from 1959 to 1970. Mr. Morris was elected as lieutenant governor on November 3, 1970, for a four-year term, 1971 to 1975. Mr. Morris was elected comptroller general in 1976 and was re-elected in 1978, 1982, 1986, 1990 and 1994. He retired as South Carolina’s comptroller general in 1999.

Mr. Morris served as president of NASACT in 1989 and president of the National Association of State Comptrollers in 1981. He was a recipient of the NASACT President's Award in 1992 and of the NASC President's Award in 1996.

He died on February 11 surrounded by his family.

Kalbert Young Confirmed in Hawai'i

Kalbert Young, who was nominated by Hawaii Gov. Neil Abercrombie to serve as director of the state’s Department of Budget and Finance, was confirmed on February 15 by the Hawaii’s Senate for the position.

Mr. Young succeeds Georgina Kawamura. He previously served as the director of the Department of Finance for the County of Maui, a post he had held since 2004.

Previously, Mr. Young worked at the Kapalua Land Co., the state Legislature, and at Kamehameha Schools, where he served in the government relations, budget and financial planning, and internal audit divisions. While employed for the County of Maui, Office of Economic Development, he led an effort to establish the Maui County Business Resource Center and County Store at the Maui Mall in Kahului.

Mr. Young earned a bachelor’s degree in American history, and a master’s degree in business administration from the University of Hawaii at Manoa.

David Lillard Named to NASACT’s Executive Committee

David H. Lillard, Jr., was recently named to fill a vacancy on NASACT’s Executive Committee. He is one of three at-large treasurer representatives on the committee.

Treasurer Lillard has had extensive experience in corporate finance, municipal finance, governmental budgeting and related fields. He has also been active in the statewide civic affairs of Tennessee. Treasurer Lillard has over 25 years experience as an attorney practicing finance law, health law and tax law, including counsel in equity and debt securities offerings, and mergers and acquisitions. He also practiced municipal law, emphasizing the fields of economic development and municipal finance.

He is a member of the National Association of Bond Lawyers, the American Health Lawyers Association and the National Association of State Treasurers.

Treasurer Lillard is a graduate tax attorney who received a master of laws in taxation from the University of Florida in 1983. He also holds a bachelor of arts and a juris doctor degree in law from the University of Memphis. He is listed in several editions of The Best Lawyers in America, including the 2009 edition. He also holds an “AV” rating from Martindale Hubbell, the highest designation for legal ability and ethics.

In addition to serving on NASACT’s Executive Committee, Mr. Lillard is member of NASACT’s Governmental Accounting Standards and Market Oversight Committee.

How Are NASACT’s Executive Committee Members Chosen?

NASACT is governed by an Executive Committee consisting of 15 members. The top three officers on the executive committees of the National Association of State Comptrollers and the National State Auditors Association each serve on NASACT’s Executive Committee to represent the comptroller and auditor communities respectively. Additionally, three state treasurers are named by the National Association of State Treasurers to serve. The committee is also made up of five officer positions. The president, first vice president, second vice president, secretary and treasurer rotate into their positions by virtue of their standing as a past president of NASC or NSAA or by nomination (treasurers). The committee also includes a past president. To view the complete NASACT Executive Committee, visit www.nasact.org/nasact/committees/executive/index.cfm.
NASACT Becomes a Supporting Organization of Values and Guiding Principles of Public Procurement

NASACT recently joined the National Institute of Governmental Purchasing, and several other public sector organizations, on a collaborative effort to develop standards of practice for public procurement. Procurement is a valuable component of successful government operations and it serves many stakeholders, including NASACT’s members.

To date, the collaborative effort has resulted in a set of proposed values and guiding principles. The values and guiding principles, a complete list of supporting organizations, and project updates can be viewed at http://principlesandpractices.posterous.com.

The values and guiding principles will provide the foundation from which standards of practice for public procurement can grow over time. Development of these standards will be led and facilitated by NIGP in collaboration with the many stakeholder organizations that represent those who work closely with the procurement function or benefit from the continued ‘professionalization’ of the acquisition and contracting workforce.

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NASACT is seeking a state comptroller or state treasurer who may be interesting in representing the association in the development of the standards of practice for public procurement. The goal is to develop 30 standards of practice within a three-year period. In an effort to minimize the time commitment and expense, all discussion and input will be via the Internet and phone. There will be no travel requirements. If you are interested in serving as NASACT’s representative, please email Kinney Poynter at kpoynter@nasact.org.

For more information about the Principles and Practices Project, visit www.principlesandpractices.org.

Blue-Ribbon Panel Addressing Standards for Private Companies Submits Recommendations to FAF

In late-January, a blue-ribbon panel addressing how U.S. accounting standards can best meet the needs of users of private company financial statements issued a report of its recommendations to the Financial Accounting Foundation. The report calls for fundamental changes to the system of standard setting, including the creation of a new board, to be overseen by the FAF, that would focus on making exceptions and modifications to U.S. GAAP for private companies to better respond to the needs of the private company sector. The report also recommends the creation of a differential framework—a set of decision criteria—to facilitate a standard setter’s ability to make appropriate, justifiable exceptions and modifications. The report does not advocate a move toward a separate, self-contained GAAP for private companies or a comprehensive reorganization of GAAP.

“This was an overwhelming recommendation from the diverse panel members to establish a separate private company board with urgency,” American Institute of Certified Public Accountants President and CEO Barry Melancon said. “This issue has been discussed for 30-plus years and the time for FAF to act is now. While some changes have been made to the process to be more responsive to private companies, the panel concluded those were insufficient. This is an important day for the 50 percent of the U.S. economy in private business.”

The report calls for fundamental changes to the system of standard setting, including the creation of a new board, to be overseen by the FAF, to focus on making exceptions and modifications to U.S. GAAP for private companies.

Billy Atkinson, chairman of the National Association of State Boards of Accountancy, said “We share the panel’s concerns regarding the relevance, complexity, and cost of today’s accounting standards. As this is a significant public policy issue that is not unique to private companies, we believe the best approach for needed change is through the existing FAF-governed FASB, which should be more strategically aligned to continuously address these concerns. In our view, a separate accounting standard-setting body for private companies would lead to differential standards and result in other unintended consequences. We urge the FAF to carefully consider the potential effect on the financial reporting system.”

The FAF Board of Trustees, as part of its strategic initiative to review private company issues, will consider the panel’s recommendations as it deliberates improvements to the standard-setting process. The FAF trustees’ resulting plan is expected to be subject to further input from constituents, including exposing for public comment any potential significant changes to the standard-setting process and structure.

FAF President and CEO Teresa S. Polley said “The FAF applauds the efforts of the blue-ribbon panel and will thoughtfully and thoroughly consider the issues raised by the panel, as well as the recommended solutions. The panel’s report, along with further analysis and constituent input, will be valuable in reaching sound decisions that improve standard setting and financial reporting for private companies.”

The panel was formed in 2009 by the AICPA, the FAF, and NASBA. The members of the panel comprised a cross-section of financial reporting constituencies, including lenders, investors, and owners as well as preparers, auditors, and regulators. The panel was chaired by Rick Anderson, chairman of Moss Adams LLP.
Plan to Attend the 2011 NASACT Middle Management Conference

The 2011 NASACT Middle Management Conference is scheduled for April 13-15, 2011, in Portland, Oregon. This conference features sessions tailored to address training needs of middle management staff in the offices of state auditors and state comptrollers, including staff specializing in the areas of audit and finance. Additionally, the conference will include sessions designed for training directors.

The planning committees, consisting of the NSAA Auditor Training Committee, chaired by Glen Fowler (CA) and the NASC Middle Management Committee, co-chaired by Kim Wallin (NV) and John Radford (OR), are working to finalize the conference program.

The conference registration fee is $425 (government) or $550 (non-government). Twenty CPE credits will be offered.

Some topics to be covered include:
- Fiscal outlook in the states and Recovery Act issues.
- Standards updates and emerging issues (transparency, GASB 54, 3% withholding).
- Use of social media.
- The leadership imperative.
- Roundtable sessions on training issues, performance audit, and finance.
- “Reading the tea leaves” – predicting a project’s future from its past.
- Writing effective reports.

The conference will be held at the Hotel Monaco, which is located in the heart of downtown just one block from shopping, restaurants and entertainment venues. A special negotiated rate of $113/night has been offered for this event; the deadline to receive this rate is March 19. To book your room, call (503) 222-0001 and ask for the NASACT Middle Management Conference group rate. A draft technical program agenda can be found on NASACT’s website at www.nasact.org/conferences_training/events.cfm. Complete hotel information along with online registration is also available on NASACT’s website.

Don’t miss out—register today. Questions regarding the 2011 NASACT Middle Management Conference may be addressed to Donna Maloy (dmaloy@nasact.org), Sherri Rowland (srowland@nasact.org) or Kim O’Ryan (koryan@nasact.org).

Register for the 2011 NSAA Annual Conference – Williamsburg, Virginia

Virginia Auditor of Public Accounts and NSAA President Walter Kucharski invites you to attend the 2011 NSAA Annual Conference to be held in Colonial Williamsburg, Virginia, June 14-17. NSAA’s committees will meet on June 14; conference sessions will begin on June 15.

With budget restrictions making doing business as usual difficult, there is no better time than now to come together with your peers and share ideas, success stories and lessons learned. To help you attend, NASACT is offering $750 of travel assistance funds to each state auditor (or designee) to attend the conference. Additional assistance will be offered to new state auditors; for more information on assistance opportunities, email Sherri Rowland at srowland@nasact.org.

The NSAA Annual Conference Program Committee will be putting together a slate of sessions and speakers to address the pressing issues faced today by state auditors. Gene Dodaro, comptroller general, U.S. Government Accountability Office; Bob Atmore, chair, Governmental Accounting Standards Board; and Marcia Buchanan, assistant director, Government Auditing Standards, GAO, are just a few of the presenters already lined up.

The conference will be held at the Williamsburg Woodlands Hotel, located just across from Colonial Williamsburg’s historic area. The negotiated room rate is $129/single or double plus applicable taxes. To book your room, call the hotel at (800) 261-9530 and indicate that you are with the National State Auditors Association. To get this special rate, you must call before the cut-off date of May 13, 2011. After this date, rooms will be offered only on a space and rate available basis. Online registration is now open, and additional details about the conference are available at www.nasact.org. Questions may be addressed to Donna Maloy at dmaloy@nasact.org or (859) 276-1147. Please plan to attend if you can!
Calendar of Events

Register for these events at www.nasact.org.

March 15  ■  Webinar: Public Private Partnerships: From Accounting to Implementation
March 22  ■  NASACT Executive Committee Meeting, Phoenix, AZ
March 23-25  ■  NASC Annual Conference, Phoenix, AZ
April 13-15  ■  Middle Management Conference, Portland, OR
April 25-26  ■  Tennessee Government Auditor Training Seminar, Nashville, TN
April 28-29  ■  Tennessee Government Auditor Training Seminar, Jackson, TN
May 2-3  ■  Tennessee Government Auditor Training Seminar, Chattanooga, TN
May 4  ■  Webinar: Government Auditing Standards, 2011 Revision
May 9-10  ■  Tennessee Government Auditor Training Seminar, Morristown, TN
June 14-17  ■  NSAA Annual Conference, Williamsburg, VA
July 20  ■  GASB Update: Standards You Need to Know
August 13-17  ■  NASACT Annual Conference, Burlington, VT
August 14  ■  NASACT Executive Committee Meeting, Burlington, VT
September 27-30  ■  NSAA IT Workshop & Conference, Denver, CO

Provide Your Input for the NASACT 2011 Annual Conference, Win a Free Registration!

By Donna Maloy, Conference Manager

The NASACT Training and Professional Development Committee is working to develop the program for the 2011 conference scheduled for August 13-17 in Burlington, Vermont. The committee wants your input on the program agenda! NASACT members are invited to complete the conference topics survey by visiting www.surveymonkey.com/s/2011_NASACT_Topics. Each respondent will be entered into a drawing to win a free registration to the conference (a $600 value), so fill out the survey today! (The survey is open only to NASACT members.) Watch for more details on the conference in the near future!

Corporate Associates: Sign Up Today!

NASACT corporate partners—contact us today to find out how to join the NASACT Corporate Associates Program! The program offers your company various opportunities for exposure and participation at NASACT’s annual conferences as well as other benefits throughout the year, including a company listing on NASACT’s website. As a corporate associate, you will also receive copies of NASACT’s publications and e-distributions.

Whether your goal is networking, staying informed about state government finance, or participating in one of the premier conferences of the year for state government officials, the corporate associates program will benefit your company. The program has four levels of participation: platinum, gold, silver and bronze.

Benefits associated with these levels vary. To view the complete brochure outlining the benefits and to see which companies are currently members, visit www.nasact.org/nasact/corporate/index.cfm. Questions about the Corporate Associates Program may be directed to Donna Maloy at dmaloy@nasact.org or (859) 276-1147.