In theory there is no difference between theory and practice. In practice there is. This statement is truer today and is a description of the challenges we all face. We all belong to a dynamic profession that faces challenges, raised expectations and greater truths. While at times, the issues do not appear to change: producing more timely financials, conducting audits with greater accuracy and an emphasis on fraud detection, keeping the federal government informed, meeting market demands, and stretching resources.

In reality, the issues have changed. We are dealing with new themes, different opinions on the right solution and, most importantly, higher expectations. One of the hot button issues of the day is more timely, accurate, uniform financial information on the obligations of government and, especially, pension plans. A “financial crisis” has caused governmental leaders to re-examine how they have dealt with the issue and why they did not recognize it sooner.

Government leaders and the markets have begun a new demand for more timely and accurate financial information and are looking to preparers and auditors to supply this data. The government finance community has begun to respond. Please forgive my dotage, as many of you are wondering what any of this has to do with the NSAA president’s annual message.

Whether you consider the current demands placed on the profession by the most recent “financial crisis” or the aftermath of the “financial crisis” that occurred when I began my career, the New York City meltdown, the National State Auditors Association, NASACT and the members have always risen to the occasion.

The work of joint groups such as the Committee on Accounting, Reporting and Auditing; the Transparency Information Sharing Group; and the Faster Financial Reporting Work Group shows that cooperation between auditors, comptrollers and treasurers provides a good sounding board for dealing with the complex environment that we all face. It is gratifying to see and hear how the interchange between preparers and auditors adds both an appreciation of the problems each confronts and develops improved relationships and mutual solutions to addressing problems.

While there are some problems which may appear unique to state auditors, such as more timely single audits and compliance supplements, these interchange groups help everyone understand the interplay of issues and the need for joint solutions. Having a deadline for a more timely audit is not just an auditor’s problem, but is now the preparer’s problem too.

During the past year, the interesting times have continued with the Recovery Act, a pending revision to Government Auditing Standards, continued conformance of auditing standards to international standards, and now the American Institute of Certified Public Accountants’ Ethics Interpretations. We are still waiting to see what direction the Government Accountability Office and the Office of Management and Budget will take on the Yellow Book and the single audit.

Our active committees have responded to these matters and have kept us informed of the direction, policies and issues each of

(continued, next page)
them is facing. Thanks to Sherri, Cornelia and Kinney for putting together the numerous conference calls and keeping us informed on all of these changes.

I would especially like to thank the numerous principals who not only participate in NSAA, but more importantly, contribute their staff leadership and time to directly participate in this organization, providing knowledge and expertise to our various committees. Without this contribution of staff resources, we would get very little done.

I would definitely be remiss if I did not thank the NSAA Executive Committee and acknowledge their support over the past year: Jan Mueller (WI), president-elect, Dave Vaudt (IA), Debbie Davenport (AZ), Elaine Howle (CA), Rebecca Otto (MN) and Tom Salmon (VT). I again want to thank Sherri for all of her help and the rest of the folks at NASACT and NSAA.

Since we started this message with an adage, let’s end it on a similar note: You’ve got to be very careful if you don’t know where you are going, because you might not get there.

It’s Not Too Late to Register!

2011 NSAA Annual Conference
June 14-17, 2011 ■ Colonial Williamsburg, Virginia

Hotel
The 2011 NSAA Annual Conference will be held at the Williamsburg Woodlands. To book a room, contact the hotel by calling (800) 261-9530.

Travel Assistance
NASACT members in good standing are eligible to receive up to $750 in travel assistance to attend the 2011 NSAA Annual Conference. The travel assistance may be used by the state auditor or a designee. The assistance will be provided as a reimbursement following the conference.

Registration and More Information
Visit www.nasact.org to register and find additional details!

NSAA Committee Meeting Schedule:
The following NSAA committees will meet on Tuesday, June 14, in conjunction with the 2011 NSAA Annual Conference in Williamsburg, Virginia. All NSAA members are invited to attend these committee meetings. Conference call-in capability will also be offered. Those wishing to participate by conference call may join the meetings by dialing (512) 225-3050 (guest code 67981#). Meeting packets will be emailed to all committee participants prior to June 14. All meeting are are listed in Eastern Daylight Time.

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<thead>
<tr>
<th>Time</th>
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<tr>
<td>8:30 – 9:30 a.m.</td>
<td>Human Resources</td>
<td>Roger Norman (AR), Chair</td>
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<tr>
<td>9:30 –10:30 a.m.</td>
<td>Performance Audit</td>
<td>Deborah Loveless (TN), Vice-Chair</td>
</tr>
<tr>
<td>10:30 – 11:30 a.m.</td>
<td>Peer Review</td>
<td>Pat Davidson (AK), Chair</td>
</tr>
<tr>
<td>11:30 a.m. – 12:30 p.m.</td>
<td>Audit Standards and Reporting</td>
<td>Auston Johnson (UT), Chair</td>
</tr>
<tr>
<td>1:30 – 2:30 p.m.</td>
<td>Single Audit</td>
<td>David Martin (FL), Chair</td>
</tr>
<tr>
<td>2:30 – 3:30 p.m.</td>
<td>E-Government</td>
<td>Karen Helderman (VA), Chair</td>
</tr>
<tr>
<td>3:30 – 4:30 p.m.</td>
<td>Auditor Training</td>
<td>Glen Fowler (CA), Chair</td>
</tr>
<tr>
<td>4:30 – 5:30 p.m.</td>
<td>NSAA Executive Committee</td>
<td>Walter Kucharski (VA), President</td>
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3% Implementation Regs Released

Final regulations regarding the three percent withholding requirement of the Tax Increase Prevention and Reconciliation Act were published in the Federal Register on Monday, May 9. Please note that these final regulations provide an additional one-year extension from the revised statutory effective date of payments made after December 31, 2011.

Under the final regulations, section 3402(t) withholding and reporting requirements apply to payments made after December 31, 2012, subject to an exception for payments made under contracts existing on December 31, 2012, that are not materially modified.


In conjunction with the issuance of the final regulations, the IRS also issued proposed regulations that would provide that the exclusion for payments under existing contracts that had not been materially modified would terminate with payments after December 31, 2013. Thus, the proposed regulations would subject payments under all contracts to section 3402(t) withholding after December 31, 2013, unless another exception applied. This rule would avoid the administrative burden of distinguishing between payments made under existing contracts and all other payments while allowing time to address concerns about applying the withholding requirements to existing contracts. Comments are due to the IRS by August 8, 2011.

The proposed rule is available on the IRS website at www.irs.gov.govt/fslg/content/0,,id=110121,00.html.

Summary

Final Regulations – 26 CFR Part 31.3402(t)
Withholding by Government Entities

Section 3402(t) implements Section 511 of the Tax Increase Prevention and Reconciliation Act of 2005 which requires federal, state, and local governments to deduct and withhold three percent of any payment for property or services. There is a small entity exception for political subdivisions and their instrumentalities that make less than $100,000,000 in payments. Certain other exceptions apply.

General

Effective Date: The final regulations are effective for payments made after December 31, 2012 (which represents an additional one-year extension). Payments under contracts existing on December 31, 2012, that are not materially modified are exempt from the withholding requirements. Material modification does not include a mere renewal of the contract that is not otherwise modified or that is required by applicable federal, state or local law. Treasury is also proposing that payments on existing and new contracts on or after January 1, 2014, be subject to 3402(t) withholding.

Entities Subject to the Withholding Requirement: All federal and state governments and their agencies are subject to the withholding requirement. The $100,000,000 payment exception is applicable only for political subdivisions of a state (or instrumentality of that political subdivision) that make less than $100,000,000 of payments for property or services annually. Generally eligibility for the exception is determined based on the amount of payments made during the accounting year ending with or within the second preceding calendar year. All payments are considered in determining the threshold amount (even those under the $10,000 threshold) except certain excepted payments under 31.3402(t)-4(a)-(q) in the rule (employee salary payments, nontaxable fringe benefits). The final rule also provides an optional rule in determining the threshold amount that allows political subdivisions of a state to average payments made during any four of the five accounting years (ending with the accounting year that ends with or within the second preceding calendar year). This addresses years that may be unusual in terms of expenditures. Specific examples can be found in the final regulation under Section 31.3402(t)-4(g).

Instrumentality: The final rule adopts the six factor test for determining whether an entity is an instrumentality (until further definitions are issued). Revenue Ruling 57-128 lists

(continued, page 12)
OMB Issues Follow-Up Guidance on Administrative Flexibility

In February, President Barack Obama issued a memorandum to federal agencies entitled “Administrative Flexibility, Lower Costs and Better Results for State, Local, and Tribal Governments.” The memorandum directs the U.S. Office of Management and Budget to issue implementation guidance to agencies requesting that they:

“work closely with state, local and tribal governments to identify administrative, regulatory, and legislative barriers in federally funded programs that currently prevent states, localities and tribes, from efficiently using tax dollars to achieve the best results for their constituents.”

At the end of April, OMB issued follow-up implementation guidance, which was accompanied by frequently asked questions and a report template to provide further direction to federal agencies based on input from federal agencies, state and local representatives, and associations that represent their interests. The follow-up guidance requires that federal agency action plans be directed by the following objectives:

- Establish better processes for cross-agency and cross-government collaboration.
- Clearly define program outcomes.
- Focus on high-impact areas.
- Increase transparency.
- Facilitate use of robust and authoritative data.
- Eliminate duplicative and unnecessary reporting.
- Identify other barriers to cost-effectiveness.
- Mitigate the risks of removing barriers.

In order to implement the President’s February memo, OMB will lead an interagency workgroup to look at OMB circular policies, specifically, “auditing and cost allocation requirements to enable state and local grantees to most effectively use resources to improve performance and efficiency.” NASACT has been invited to participate in this group. Representing NASACT on the group will be Kim Wallin (NV), Brenda Bolander (OK) and Thomas Salmon (VT). OMB will also work with federal agencies to identify areas where common and streamlined standards and definitions would be of benefit in addition to processes for considering requests from state, local and tribal governments. Lastly, OMB will work with the Domestic Policy Council and agencies to explore options to support pay-for-success proposals from state, local and tribal governments.

A deadline of August 29 has been established for agencies to report their actions and recommendations on efforts to promote administrative flexibility. The template provided for agencies to report back to OMB includes identification of (1) process improvements; (2) unified application plans and reporting; (3) how the agency is disseminating information about existing flexibilities; (4) steps to eliminate unnecessary, duplicative or obsolete administrative and regulatory requirements; (5) the requirements for waiving or suspending stipulated criteria; (6) waiver authority for experimental pilots; (7) steps to facilitate data-driven decision-making; and (8) statutory barriers and recommendations for legislative change.


GAO Releases Latest Recovery Act Audit

Earlier this month, the U.S. Government Accountability Office released the latest in a series of audit reports on how states are utilizing Recovery Act funds on transportation projects. The May 4 report, entitled Recovery Act: Use of Transportation Funds, Outcomes, and Lessons Learned, laid out three findings:

(1) The status and use of Recovery Act transportation funds.
(2) The outcomes and long-term benefits of Recovery Act transportation investments.
(3) The lessons learned from the Department of Transportation and states’ experiences implementing the Recovery Act.

Key statistics in the report include:

- As of March 31, 2011, DOT had obligated nearly all of the $1.5 billion in TIGER funds for 51 surface transportation projects.
- According to available data, Recovery Act transportation projects supported about 50,000 full-time FTEs in the three months from October through December 2010.

GAO found that some states have efforts underway to report on Recovery Act benefits, but federal and state officials indicated that attributing transportation benefits to Recovery Act funds can be difficult, particularly when projects are funded from multiple sources. In the lessons learned section, GAO identified the “maintenance-of-effort” requirement to be unusually burdensome and somewhat confusing for states to report. The maintenance-of-effort assessment, beginning on Page 12 of GAO’s report, required the governor of each state to certify that the state would maintain its planned level of transportation spending from February 17, 2009, through September 30, 2010, to help ensure that federal funds would be used in addition to, rather than in place of, state funds. A January 2011 DOT report indicated that 29 states met their planned levels of expenditure, while 21 states did not.

The full report can be found at www.gao.gov/products/GAO-11-610T.
Registration is Now Open for the NASACT Annual Conference!

Join NASACT President Nancy Kopp and our Vermont hosts, State Auditor Tom Salmon, State Treasurer Beth Pearce and State Comptroller James Reardon, for the 2011 NASACT Annual Conference in Burlington this August 13-17. The NASACT Training and Professional Development Committee is currently working to finalize the technical program.

The two-and-a-half day program will feature topics that members can’t afford to miss—leadership, the economy, standards changes, fraud/risk management, market updates and more.

Don’t Forget the Travel Assistance Program!

NASACT principals (or their designees) in good standing are eligible to receive up to $1,000 in travel assistance to attend the annual conference. The funds may be used to cover registration or travel costs.

Additionally, all new state auditors, state comptrollers and state treasurers will be offered up to $1,000 in travel assistance and complimentary conference registration (a $600 value). New members should call Donna Maloy at (859) 276-1147 to register.

NASACT 2011: Featured Events

Saturday, August 13
- Golf Tournament at Basin Harbor Golf Club
- Welcome Open House at the Hilton Burlington

Sunday, August 14
- 5K Fun Run/Walk along Lake Champlain
- NASACT Executive Committee Meeting
- NASACT Committee on Accounting, Reporting and Auditing Meeting
- Reception at Barn at Lang Farm

Monday, August 15
- Vermont Governors: Our Times, Our Challenges
  Hear from five Vermont governors as they discuss how state government has evolved over the years. Tap into their experience to find ways to address future challenges.
  - Gov. Peter Shumlin, 2011 – current
- NSAA Business Meeting
- NASC Business Meeting
- State Treasurers’ Meeting
- From the Private Side Looking In: A Different Perspective
  NASACT lifetime member and former Rhode Island State Auditor Ernest Almonte will discuss fraud, risk and life on “the other side” as he has transitioned from the public to the private sector.
- Dinner Cruise on Lake Champlain

Tuesday, August 16
- Resetting Government: The Time is Now
  David Walker, founder and CEO of the Comeback America Initiative, will talk about why the time is now to make tough decisions to achieve solutions for America.
- Dr. David Colander, the C.A. Johnson distinguished professor of economics from Middlebury College, will discuss the latest economic recession and what states can do to address the issues.
- NASACT Business Meeting
- State Night Dinner

Wednesday, August 17
- Morning Session on Fraud and Ethics
- Member Roundtable
### New at www.nasact.org

- The following NSAA response letters to the Auditing Standards Board of the American Institute of Certified Public Accountants may be found at www.nasact.org/nsaa/positions/aicpa.cfm:
  - Proposed Statement on Auditing Standards entitled *Omnibus Statement on Auditing Standards – 2011*
  - Proposed Statement on Auditing Standards entitled *Alert as to the Intended Use of the Auditor’s Written Communication*

- The following NASC technical inquiries are now available at www.nasact.org/nasc/technical/index.cfm (must be a member to view):
  - ERP Information
  - Equipment Inventory
  - Payment Card Reconciliation
  - Deferred Revenue
  - ACH Vendor Payments
  - Publishing Software for CAFRs

### New at www.nasact.org (cont.)

- The Buy American Act section of NASC’s “Internal Control Questionnaire” may be found at www.nasact.org/nasc/committees/multistate/index.cfm (must be a member to view).

- NASACT’s observations of the April 12-14 meeting of the Governmental Accounting Standards Board may be found at www.nasact.org/nasact/positions/GASB.cfm (must be a member to view).

### NASC Explores Forming a Paperless Accounts Payable Work Group

NASC is exploring the possibility of forming a new information sharing group on the topic of Paperless Accounts Payable. If you or someone in your office would be interested in participating in or co-chairing this group, please email Kim O’Ryan at koryan@nasact.org.

### Conference Call Reminders: Mark Your Calendar!

For information on participating in any of these calls, contact NASACT’s headquarters office at (859) 276-1147.

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<tr>
<td>NASC Travel and Purchase Card Information Sharing</td>
<td>August 24</td>
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### Chebinou Receives NGMA President’s Award

NASACT Washington Office Director Cornelia Chebinou was recently honored with a President’s Award from the National Grants Management Association. The award, presented on May 6 at the NGMA’s annual conference, is presented at the NGMA president’s discretion to honor excellence in service to the grants management community. Ms. Chebinou is NASACT’s representative on the National Grants Partnership and spearheads efforts on a variety of grants-related issues. Shown left to right: Merril Oliver, deputy director, Maryland Governor’s Grants Office and president of NGMA; Ms. Chebinou; and Debra Stafford, executive director of NGMA.
**NASC Announces 2011-12 Committee Chairs**

NASC President Brenda Bolander, state controller of Oklahoma, has named leaders for NASC’s 2011-12 committees and information sharing groups. To see descriptions and member rosters, visit www.nasact.org/nasc/committees/index.cfm. To indicate your interest in serving on a committee or group, email Kim O’Ryan at koryan@nasact.org.

**Executive Committee**  
President: Brenda Bolander (OK)

**Advisory Committee for State Comptrollers: Technical Activities and Functions**  
Co-Chair: Michael Keays (NE)  
Co-Chair: Anna Maria Kiehl (PA)

**Committee on the Financial Plan**  
Chair: Kim Wallin (NV)

**Committee on Outreach**  
Chair: Donna Jones (ID)

**Constitution and Bylaws**  
Chair: Calvin McKelvogue (IA)

**Middle Management Conference**  
Co-Chair: Greg Griffin (GA)  
Co-Chair: Kent Olson (KS)

**Nominating**  
Chair: Clark Partridge (AZ)

**Program**  
Chair: Richard Eckstrom (SC)

**Resolutions**  
Chair: John Reidhead (UT)

**Site**  
Chair: David Von Moll (VA)

**Committee on Accounting and Financial Reporting**  
Co-Chair: David McDermott (CO)  
Co-Chair: Mike Moody (MI)

**Statement 54 Work Group**  
Co-Chair: Kathryn Ross (OR)  
Co-Chair: Claire Cotton-Watkins (FL)

**Multi-State Consortium on Internal Control**  
Co-Chair: Merideth Hackney (ID)  
Co-Chair: Lynda Roesler (NE)

**Federal Tax Reporting Work Group**  
Co-Chair: Michael Keays (NE)  
Co-Chair: Trudy Vidal (OR)

**State Government Payroll Information Sharing Group**  
Co-Chair: Ruth Duquette (MI)  
Co-Chair: Vicki Smith (TX)  
Co-Chair: Brandon Wooff (ID)

**Transparency Information Sharing Group**  
Co-Chair: Paul Christofferson (MT)  
Co-Chair: Clark Partridge (AZ)

**Travel and Purchase Card Information Sharing Group**  
Co-Chair: Valerie Alley (VA)  
Co-Chair: Patti Everett (ID)

Although formal groups are no longer maintained, email networks are still available to share information on the following topics (send email to koryan@nasact.org):

- Derivatives Implementation
- Statement 51
- E-Commerce
- ERP

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**NASACT Completes Thirtieth Annual Government Auditor Tennessee Training Seminar Series**

Each year, NASACT works with the Tennessee Comptroller of the Treasury to plan and conduct the Tennessee Government Auditor Training Seminars Program. This year marked the thirtieth year for this successful training series, with over 550 people participating.

The seminars are conducted in four cities across Tennessee—Nashville, Jackson, Chattanooga and Morristown—during the months of April and May. They are comprised of two full days of training on topics as diverse as:

- Recent economic, industry, regulatory, and professional developments that impact auditors of state and local governments, including developments from the U.S. Government Accountability Office, the Office of Management and Budget and the Securities and Exchange Commission.
- Detecting fraud and defending against it.
- Fraud case studies.
- State-specific examination of ethics laws and rules.
- Updates on Government Auditing Standards and new guidance from the Governmental Accounting Standards Board.
- Single audit update.

The seminars are specifically designed to enhance skills of auditors in CPA firms that conduct local government audits as well as accountability professionals working in government.

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**Start a Government Auditor Training Series in Your State!**

Would a program like the Tennessee Training Seminars help improve government auditing in your state? To explore the possibilities, contact Kinney Poynter at kpoynter@nasact.org or (859) 276-1147.
SEC Release Instructs FINRA to Begin Work on GASB Funding Mechanism

On May 11, the U.S. Securities and Exchange Commission issued Release No.33-9206, Order Directing Funding for the Governmental Accounting Standards Board, to ask the Financial Industry Regulatory Authority to begin work on a proposed plan for setting up a system to fund the operations of the Governmental Accounting Standards Board.

The proposal is meant to carry out a Dodd-Frank Act reform, which added Section 19(g) to the Securities Act of 1933. The amendment gave the SEC authority to (a) require a national securities association registered under the Exchange Act to establish a reasonable annual accounting support fee to adequately fund the annual budget of the GASB, and (b) to establish rules and procedures, in consultation with the principal state and local governmental organizations, for the equitable allocation, assessment and collection of the accounting support fee. Neither the SEC nor FINRA will have any direct or indirect oversight over the GASB’s budget or technical agenda.


MSRB Hosts Outreach Seminar in June in Atlanta

The Municipal Securities Rulemaking Board is hosting a municipal market outreach seminar in Atlanta, Georgia, on Tuesday, June 14. The event will provide an opportunity for market professionals to learn about the MSRB’s expanded mission and jurisdiction, the development of rules and professional qualifications for municipal advisors, and ongoing municipal securities dealer rulemaking.

The seminar will take place on June 14, from 11:30 a.m.-3:30 p.m. Eastern Time at the Omni Hotel in Atlanta, Georgia.


There is no charge to attend; however, pre-registration is required. To register, please contact Tina Hanachi at thanachi@msrb.org.

California State Auditor Named Outstanding Public Administrator

On Wednesday, May 4, Elaine Howle, state auditor of California, received the Outstanding Public Administrator of the Year Award from the Sacramento chapter of the American Society for Public Administration.

ASPA is a national association of public administration professionals, both practitioners and academicians. The Sacramento chapter was among the initial five local organizations that formed ASPA in 1939, and the chapter has remained active ever since. According to their board, “among the chapter’s most important functions is to honor exemplary public administrators like California’s respected state auditor.”

Ms. Howle was given wonderful accolades and referred to as “a pathmaker.” When accepting the award, Ms. Howle said that she was “accepting the award on behalf of my office because the award is a reflection of the great work that my office performs.”

Ms. Howle was also recently ranked number 13 on the list of “Top 100 Most Influential Persons in California.” She is a member of the Executive Committee of the National State Auditors Association.

Dianne Ray Named Next Colorado State Auditor

Dianne E. Ray, CPA, has been appointed by the Colorado General Assembly as the next state auditor. She will begin her five-year term as Colorado’s state auditor on July 1. During the month of June, she will serve as interim state auditor.

Prior to her appointment as state auditor, Ms. Ray served for five years as deputy state auditor and was responsible for overseeing financial, information technology, and performance audits. From 2002 to 2006, she oversaw the OSA’s Local Government Audit Division, which tracks about 4,000 Colorado local governments for compliance with the Local Government Audit Law. That law requires local governments to annually submit independent financial audits to the OSA.

During her career, Ms. Ray has held other senior-level positions, including the director of administration and finance for the city of Louisville; the chief fiscal officer for the town of Payson, Arizona; and the controller for several non-profit organizations in Arizona.

Ms. Ray earned a bachelor’s degree in accounting from Arizona State University and a master’s degree in public administration from the University of Colorado.

Sally Symanski, Colorado’s current state auditor, will retire from service effective May 31. Ms. Symanski has served as state auditor since July 1, 2006. The Colorado OSA has won three Excellence in Accountability Awards from the National State Auditors Association under her leadership.
FAF Commissions Study Examining the Role of GASB Standards in Assessing the Accountability of Reporting Governments

On May 18, the Financial Accounting Foundation announced that, as part of its oversight of the Governmental Accounting Standards Board, it has commissioned an independent and comprehensive academic study on the purposes of financial accounting and reporting of state and local governments. The study will examine the role of financial reporting standards and guidelines issued by the GASB in enabling users of governmental financial reports to assess the accountability of governments.

The research study will explore the purposes of financial reporting by state and local government entities, the needs and requirements of users of financial reports for these government entities, and insights regarding the value of information about the accountability of governments.

The study will be led by a research team that is experienced in governmental accounting matters. The team includes:

- Kenneth A. Smith, Ph.D., who will lead the research effort (University of Washington)
- Donald R. Deis, Ph.D. (Texas A&M University-Corpus Christi)
- Marc A. Rubin, Ph.D. (Miami University in Oxford, Ohio).

The team will conduct and prepare an independent and objective study that will engage a broad spectrum of the FAF’s and GASB’s constituents. When completed, the data collected in the study will serve as a tool to aid the FAF Board of Trustees in its ongoing oversight of the GASB and help define how the GASB can best serve constituents within the context of its mission. The FAF expects the study to be completed before the end of the year.

GASB Update: May 2011

Chairman Announces Additions to Technical Plan for Second-Third of 2011

Governmental Accounting Standards Board Chairman Robert Atmore has announced the addition of a new current agenda project on financial guarantees to the Board’s technical agenda for the second four-month period of 2011. New projects addressing lease accounting and the hierarchy of generally accepted accounting principles have been added to the GASB’s research agenda. Each new addition is described below.

The chairman considered the views of the other Board members and input from the members of the Governmental Accounting Standards Advisory Council before adding these projects to the agenda.

Financial Guarantees

The objective of this project is to consider establishing additional guidance regarding recognition and disclosure of financial guarantees made and received by state and local governments. Governments typically provide several types of financial guarantees, which are primarily associated with commitments to assume debt issued by other entities. Financial guarantees represent potential claims on a government’s resources when it is the provider of a guarantee. The project will address what related disclosures should be required and when the guarantor would recognize a liability. The project also will consider disclosures of guarantees received by a government, which may represent potential available resources.

Lease Accounting

The objective of this research project is the reexamination of issues associated with lease accounting and consideration of improvements to existing guidance. The research project will provide a basis for the Board to consider whether operating leases meet the definitions of assets or liabilities. The major topic of research will be the forms of financial reporting display and disclosure that would meet financial statement users’ needs.

GAAP Hierarchy

The objective of this research project is to consider possible modifications to the GAAP hierarchy, as set forth in Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. That pronouncement transferred the GAAP hierarchy from American Institute of Certified Public Accountants literature to the GASB’s standards as is. This project will reexamine the hierarchy levels to assess whether the standards-setting process and governmental financial reporting have sufficiently evolved since the establishment of the current hierarchy by the AICPA in 1992 to warrant reconsideration or reconfiguration of certain aspects of the structure.

More information about these and other GASB projects is available in the Projects section at www.gasb.org.

GASB Research Brief Examines Timeliness Issues

The GASB has released a research brief that examines how long it takes state and local governments to issue financial reports prepared in conformity with generally accepted accounting principles (GAAP), and how the passage of time affects the usefulness of the financial information for users.

The findings contained in the research brief, The Timeliness of Financial Reporting by State and Local Governments Compared with the Needs of Users, indicate that the largest local and county governments and independent school districts issued their financial

(article continued, page 14)
Below is a complete listing of sessions and speakers from the 2011 NASACT Middle Management Conference, held in Portland, Oregon on April 13-15. To download handouts or PowerPoint presentations from the conference, visit www.nasact.org/conferences_training/JointMiddleManagement/management.cfm. Presentations from the past several years may also be found at this website.

NASACT wishes to thank the planning committees and hosts of the conference, as well as all the speakers and moderators. The conference was planned by the Auditor Training Committee of the National State Auditors Association and the Middle Management Conference Committee of the National Association of State Comptrollers. NASACT wishes to especially thank the Oregon hosts John Radford, state controller, and Gary Blackmer, director of the Division of Audits, and staff from each of their offices. The conference would not have been a success without their assistance in planning the technical sessions. Their warm welcome and hospitality were also greatly appreciated.

Is Your State Interested in Hosting Middle Management 2012?

Hosting the middle management conference is a great way to bring your staff to the conference without the expense of airfare and hotel. Hosting the conference involves limited assistance in identifying an appropriate conference hotel and support in the form of attendance by staff from the state auditor’s and state comptroller’s offices.

Would your state be interested in hosting the conference in April 2012? If so, please contact Sherri Rowland at srowland@nasact.org or Kim O’Ryan at koryan@nasact.org for additional details.
Calendar of Events

2011

June 14-17  ■  NSAA Annual Conference, Williamsburg, VA
July 20  ■  Webinar: 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

2012

March 21-23  ■  NASC Annual Conference, Oklahoma City, OK
June 12-15  ■  NSAA Annual Conference, Madison, WI
August 11-15  ■  NASACT Annual Conference, Seattle, WA

Attention Corporate Associates:
Join Us for the FY2012 Program and the NASACT Annual Conference in August

By Donna Maloy, Conference Manager

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 or opportunities tied to participating in NASACT’s annual conference may be directed to Donna Maloy at dmaloy@nasact.org or (859) 276-1147.

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DID YOU KNOW? You can register for any of NASACT’s conferences and events at www.nasact.org. Go to the Calendar of Events, where you’ll find general information, hotel information, meeting agendas and more.
the following factors to be taken into account in determining whether an entity is an instrumentality of one or more governmental units:

(1) whether the organization is used for a governmental purpose and performs a governmental function;
(2) whether performance of its function is on behalf of one or more states or political subdivisions;
(3) whether there are any private interests involved, or whether the states or political subdivisions have the power and interests of an owner;
(4) whether control and supervision of the organization is vested in a public authority or authorities;
(5) whether express or implied statutory or other authority is necessary for the creation and/or use of the organization, and whether this authority exists; and
(6) the degree of financial autonomy of the entity and the source of its operating expenses.

**Payment Cards:** Payment card transactions (including credit, debit, stored value and other payment cards) are exempt from the withholding and reporting requirements until at least 18 months from the date future guidance is finalized applying the withholding and reporting to payment by payment cards. This provision essentially allows Treasury to require payment card reporting in the future.

**$10,000 Threshold:** The withholding requirement does not apply to payments less than $10,000. The threshold is on a payment-by-payment basis. The regulations also instate an anti-abuse rule disallowing the division of a payment into multiple payments to avoid the payment threshold. The anti-abuse rule is applicable only if the government entity knew or should have known that the payment was divided to avoid the withholding threshold.

**Withholding on Amounts Below $10,000:** In order to address the anti-abuse rule, a government and a person providing property or services may contractually agree that the three percent withholding will apply to all payments regardless of the amount.

**Payments to Subcontractors:** The withholding requirement applies only to the contract with the prime contractor. Payments by the prime contractor to its subcontractors are not subject to the withholding.

**Payments by Payment Administrators:** The government entity is responsible for the required withholding and reporting even if a payment is made by a party acting as a payment agent of the government.

**Advance and Interim Payments:** Withholding and reporting apply when the funds are disbursed and not when the contract is settled or the services or property accepted.

**Other Payment Issues:** Generally, separately stated items such as fuel surcharges, late payment fees and shipping and handling are treated as part of the payment for property or services unless an exception applies. Additionally, a payee may agree to have withholding apply to a full payment even where a portion of the payment may be excepted from withholding. If a payment is offset, the withholding applies to the full amount of the payment prior to the offset.

**Examples:** Section 31.3402(t)-3(f) provides specific examples of payments subject to withholding.

**PAYMENTS EXEMPTED FROM 3402(t) WITHHOLDING**

**Exempt Payees:** Payments to other government entities, foreign governments, tax exempt organizations and tribal governments are exempt. Pass-through entities that are 80 percent or more owned by the above entities are also exempt. Additionally, non-resident aliens and foreign corporations that receive certain payments are exempt.

**Interest Payments:** Interest payments generally defined by case law as compensation for the use or forbearance of money are exempt from 3402(t) withholding.

**Payments for Real Property:** Payment for the purchase or lease of real property are exempt from the three percent withholding but construction of buildings and other public works projects are not. Payments to a lessor required under the lease agreement for utilities or insurance are not subject to 3402(t) withholding; however, payments to third parties (even if it is required by the lease) are subject to the withholding. Payments for construction are subject to the 3402(t) withholding regardless if the construction is required by lease or paid to the lessor.

**Payments Subject to Other Withholding:** Payments subject to another withholding in Chapter 3 or 24 of the Internal Revenue Code are exempt. This would include backup withholding and other voluntary withholdings. Voluntary withholdings are exempt regardless of whether the payee elects to withhold.

**Payments Pursuant to Classified or Confidential Contract:** Payments pursuant to a classified or confidential contract as defined in 6050M(e)(3) are exempt. A classified or confidential contract under 6050M(e)(3) is a contract between a federal executive agency and another person if:

(A) the fact of the existence of such contract or the subject matter of such contract has been designated and clearly marked or clearly represented, pursuant to the provisions of federal law or an Executive order, as requiring a specific degree of protection against unauthorized disclosure for reasons of national security; or

(B) the head of such federal executive agency (or a designee) pursuant to regulations issued by such agency determines, in writing, that filing the required return under this section would interfere with the effective conduct of a confidential law enforcement or foreign counterintelligence activity.

**Payments in Connection with a Public Welfare or Public Assistance Plan:** Payments made in connection with a public assistance or public welfare program for which eligibility is determined by a needs or income test are

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exempt from 3402(t) withholding. Programs based solely on age are not exempt. The exception applies to payments made to third parties for the benefit of the recipient.

**Payments Made to a Government Employee for Services as an Employee:** Any form of compensation to a government employee for service as an employee is exempt from section 3402(t) withholding. Examples of such compensation could include employer and employee contributions to an employee benefit and deferred compensation plan, employer-provided fringe benefits and employer payments under the Federal Employees Health Benefits Program. Reimbursement of employee travel expenses is an exempt payment; however, instances where a government entity pays a provider directly for employee travel expenses are not exempt from withholding.

**Grants:** Grant funds are explicitly exempt from withholding and are defined as a transfer of funds by a government entity to a recipient pursuant to an agreement reflecting a relationship between the government entity and the recipient (includes state and local government) when:

(A) the principal purpose of the relationship is to transfer a thing of value to the recipient to carry out a public purpose of support or stimulation authorized by law instead of acquiring property or services for the direct benefit or use of the government entity; and

(B) substantial involvement is not expected between the government entity and the recipient when carrying out the activity contemplated in the agreement.

The exclusion does not apply to use of proceeds of a grant by a government entity unless the proceeds of the grant are used to make a grant (i.e., the state receives a grant and then sub-grants the funds).

**Sales, Excise and Value Added Tax:** The entire amount paid for property or services is subject to 3402(t) withholding. Therefore, the required withholding and reporting includes the amount of any sales, excise or value added tax. A government may choose, however, to exclude the amount of any sales, excise or value added tax so long as it is applied consistently.

**Loan Guarantees:** Government entity payments of principal and interest on a loan pursuant to a loan guarantee are not subject to 3402(t) withholding.

**Debt Repayment and Stock and Bond Purchases:** Repayments of principal on a loan are not subject to 3402(t) withholding. However, if the government entity issues a debt obligation to a person providing services as part of the purchase price, the debt’s fair market value is subject to withholding at the time the obligation becomes effective. If the debt is issued to a person providing property as part of the purchase price, the debt’s issue price could be subject to withholding. (See final regulations for more specifics.)

Payments to purchase stock, bonds and negotiable instruments are exempt from 3402(t) withholding; however, the payment of investment advisory fees are not.

**Pass Through Entities:** Generally, payments from pass through entities are not subject to 3402(t) withholding unless 80 percent or more of the entity is owned by the government entity that is required to withhold. The final regulations provide more detail on payments to a partnership owned by a foreign corporation or nonresident alien.

**Additional Rules for Exempt Payees and Payments:** The IRS may provide additional exceptions for which the IRS determines the withholding would impede a government’s ability to respond to an emergency, disaster or other hardship. The IRS commissioner is also authorized to provide rules and procedures concerning payments exempt from 3402(t) withholding including classification of additional types of payees or payments exempt from withholding. See Section 31.3402(t)-4(s).

**DEPOSITS AND REPORTING**

Amounts withheld under 3402(t) must be deposited and reported in the same manner as other non-payroll withheld amounts, such as withholding on gambling winnings and pensions. Form 945 - Annual Return of Withheld Federal Income Tax should be utilized. Amounts under 3402(t) are to be treated as employment taxes for purposes of the deposit rules but are subject to special rules for the deposit schedule. Amounts withheld must be reported on a Form 1099-Misc with a copy of the information provided to the payee.

**Crediting of Amounts Withheld:** The amount withheld during any calendar year is allowed as a credit against income tax for the taxable year beginning in such calendar year.

**Correction Errors and Liability:** Payments to any person for property or services that are subject to withholding are treated as if the payments were wages paid by an employer to an employee. Therefore, a government entity will be liable if it fails to withhold unless it can be demonstrated that the contractor reported and paid the tax.

Generally, the rules for underpayments and overpayments of income tax withholding are the same as those applicable to wages. Amounts withheld under section 3402(t) are reported on Form 945. See regulations for details on how to account for under and over withholding. The $10,000 payment threshold applies to the actual payment even in that payment amount was in error.

**Transition Rule:** Government entities will not be liable for interest and penalties for failure to withhold on payments for property or services made before January 1, 2014, if the entity made a good faith effort to comply. Government entities are not, however, relieved from liability for the amount of taxes that should have been withheld.

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Deferred Inflows and Outflows of Resources

The Board continued to analyze individual balances to determine whether they should continue to be classified as an asset or liability, or reclassified as deferred outflows or deferred inflows of resources. The Board determined that, based on Concepts Statement No. 4, Elements of Financial Statements, an item also may be reclassified as an outflow or inflow of resources of the current period, if the item does not meet the definition of an asset or a liability, and it is not applicable to future periods.

Advance payments made by a provider—excluding any time requirements—in government-mandated and voluntary nonexchange transactions as described in Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, are an example of balances the Board tentatively decided should be classified as an asset. Payments made to other governments related to government-mandated and voluntary nonexchange transactions when time requirements are the only eligibility requirements that have not been met by the other government are an example of balances the Board tentatively decided should be classified as a deferred outflow. Advance payments received related to derived tax revenue nonexchange transactions are an example of balances the Board tentatively decided should be classified as a liability. Payments received prior to the appropriate period related to imposed nonexchange transactions are an example of balances the Board tentatively agreed should be classified as a deferred inflow.

Economic Condition Reporting: Fiscal Sustainability

The Board discussed the appropriate bases, methodologies, assumptions, and periods for projecting fiscal sustainability information. The Board tentatively agreed that the most appropriate basis to use when projecting fiscal sustainability information would be current policy with known changes that are effective in future periods. These known changes represent policy changes that have been formally adopted at the end of the reporting period but will not be effective until future periods.

The most appropriate methodology for making projections of fiscal sustainability information, the Board tentatively agreed, would be projections informed by historical information and known future events or conditions.

In addition, the Board tentatively agreed that a principles-based approach for providing guidance on how to identify and develop assumptions would be most appropriate. The Board tentatively agreed that the proposed principles would require assumptions to be consistent with each other, informed by relevant historical information, and comprehensive. The Board also tentatively agreed that the assumptions used in making projections should be disclosed. Finally, the Board tentatively agreed that for external reporting purposes, annual projections for a minimum period of five years would be most appropriate for projecting all types of fiscal sustainability information.

In considering where fiscal sustainability information would best be communicated, the Board tentatively agreed that all specific measures and related disclosures are essential for placing the basic financial statements and notes to basic financial statements in an operational or economic context. Consequently, the Board will propose that this information be communicated as required supplementary information.

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Some Board members expressed the alternate view that some specific measures of fiscal sustainability information and related disclosures are useful but not essential for placing the basic financial statements and notes to basic financial statements in an operational or economic context. Some of those Board members believe that such fiscal sustainability information should be communicated as supplementary information.

The Board tentatively agreed that all governmental entities should be required to report fiscal sustainability information and that no entities would be exempt.

The Board tentatively agreed that the cash basis of accounting would be used when projecting cash inflows and cash outflows. The Board also tentatively agreed that the accrual basis of accounting would be used when projecting financial obligations. Further, the Board tentatively agreed that the reported fiscal sustainability information would include notes to explain those instances when the reported inflows and outflows on the cash basis does not reflect the full extent of the impacts on a governmental entity’s fiscal sustainability. Finally, the Board tentatively agreed that fiscal sustainability information would be reported for the primary government, including both governmental activities and business-type activities with net subtotals for governmental activities and business-type activities and a net total for the entire primary government; governmental entities would not be required to report fiscal sustainability information for their discretely presented component units.

**Government Combinations**

The Board discussed the existing accounting and financial reporting guidance related to government combinations. The Board considered the proposed scope of the project and tentatively agreed to the following types of transactions that would be initially considered in the project: acquisitions of one government by another government; mergers of two or more governments; spin-offs; annexations; redistricting; dissolutions; and shared service arrangements.

The Board also tentatively agreed to first address government combinations that do not involve the giving and receiving of reasonable consideration before examining government combinations that do involve reasonable consideration.

**Pension Accounting and Financial Reporting**

With respect to cost-sharing employers, the Board tentatively agreed that standards for accounting and financial reporting should be based on the view that, generally, employers in a cost-sharing plan are responsible for the collective unfunded pension obligation.

In considering circumstances in which the employers are responsible for the collective unfunded pension obligation, the Board tentatively affirmed its preliminary view that each employer in a cost-sharing plan has a share of the collective unfunded pension obligation that meets the definition of a liability in Concepts Statement 4, and that the employer’s share of the collective unfunded pension obligation is measurable with sufficient reliability for recognition.

With regard to measurement of the collective net pension obligation, pension expense, and deferred pension outflows (inflows) that will be allocated to individual employers, the Board tentatively agreed that the measurement and attribution approaches that tentatively have been agreed to for measuring the net pension liabilities of sole and agent employers should be used.

Regarding elements of the attribution methodology that would be required to be used to assign service cost to periods, the Board tentatively decided that an employer’s net pension liability should be required to be based on calculations of service cost made on an employee-by-employee basis, and that attribution of service costs for all benefits should be made over periods beginning in the period in which the employee is hired and ending in the period in which the employee reaches the single, assumed retirement age that is applied to all employees. The Board also tentatively decided that attribution methods that calculate service cost for different periods based on different measures of the present value of projected benefits should not be permitted. Finally, the Board tentatively decided that the attribution method in the exposure draft should specify that differences between actual and expected experience reduce or increase the total pension liability.

Addressing the timing and frequency of pension measurements, the Board considered issues related to both employer reporting and single-employer and agent multiple-employer plan reporting. Regarding employers, the Board tentatively affirmed its preliminary view that both components of the net pension liability—the total pension liability and the measure of plan net assets—should be recognized as of the date of the employers’ financial statements. It also tentatively reaffirmed that biennial comprehensive measurements should be required, and more frequent measurements should be encouraged.

The Board tentatively agreed that the comprehensive measurement need not be as of the employer’s or the plan’s fiscal year-end(s) and that updates of the total pension liability from the comprehensive measurement date to the employer’s fiscal year-end would generally be permitted.

If significant changes occur between the comprehensive measurement date and the employer’s fiscal year-end, professional judgment should be used to determine the extent of procedures needed to update the measurement to the employer’s fiscal year-end and should include consideration of whether a new comprehensive measurement is needed.

The Board also tentatively agreed that all information about the net pension liability that would be required to be disclosed in notes or presented in required supplementary information should be measured as of the date of the employer’s financial statements.

Regarding single-employer and cost-sharing multiple-employer defined benefit pension plans, the Board tentatively agreed that information that is required to be disclosed in notes or presented in required supplementary information related to the net pension liabilities of the employer(s) should be reported as of the plan’s fiscal year-end.

On the topic of a nonemployer entity’s responsibility to contribute to a cost-sharing defined benefit pension plan, the Board tentatively agreed that the role of the nonemployer entity that has a legal responsibility for a portion of total contributions to satisfy the total liability of the employers is tentatively viewed by the Board as support or assistance to the employers that results in an assumption.

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by the nonemployer entity of a portion of each employer’s net pension liability and related measures. The Board specifically excluded from this approach nonemployer entities whose requirements to contribute are contingent, for example, in circumstances in which there is a requirement to contribute amounts collected under a specific tax assessment. The Board further tentatively agreed that the general approach discussed in Statement No. 24, Accounting and Financial Reporting for Certain Grants and Other Financial Assistance, which results in employers recognizing expense in an amount that reflects the total cost of compensation, would continue to be applied to cost-sharing employers.

With respect to note disclosures about plan net assets for sole and agent employers, the Board tentatively agreed that if a plan financial report that includes disclosure about plan net assets is publicly available, either as a stand-alone financial statement or included as a fiduciary fund of another entity, the employer may refer to the plan’s financial report for disclosures about plan net assets. In this situation, the Board tentatively agreed that the employer also would be required to disclose that the components of plan net assets and changes in plan net assets have been determined on the same basis as is used in financial reporting by the plan and to include a brief summary of the plan’s basis of accounting, including the policies with respect to benefits and refunds paid, and the valuation of investments. The Board also tentatively agreed that if significant changes have occurred that would indicate that the disclosures included in the plan’s financial report generally would not reflect the facts and circumstances at the employer’s year-end, additional disclosure describing the substance and magnitude of the changes would be required. In circumstances in which plan-level information is not included in a publicly available financial report, the Board tentatively agreed that the employer should disclose all information required by other standards about plan net assets.

Concerning accounting for defined contribution benefits, the Board tentatively agreed that an employer that provides defined contribution benefits would report pension expense net of forfeitures of nonvested employer contributions that are removed from employees’ accounts. In addition, the Board tentatively agreed that employers that provide defined contribution benefits would disclose a brief description of any vesting and forfeiture provisions.

With regard to the attribution of the collective cost-sharing liability and related measures to employers and to nonemployer governments that have a legal responsibility for a portion of total contributions, the Board tentatively agreed that the proportionate share would be based on a measure reflective of the long-term expectation of the individual entity’s contribution requirements relative to the expected total legally required contribution requirements of all entities, determined at the time of the latest actuarial valuation. In addition, the Board tentatively agreed that for each entity, the net effect of a change in its proportionate share would be calculated for accounting and financial reporting purposes as of the beginning of its fiscal year. The net effect would be accounted for as a deferred outflow (inflow), with pension expense recognized over a weighted-average period based on the expected remaining service lives of all active employees.

Finally, the Board tentatively agreed that any difference between the amount of a government’s actual contribution recognized by the pension plan and the proportionate share of all contributions allocated to the government in the period would be recognized as a deferred outflow (inflow), with pension expense recognized over a weighted-average period based on the expected remaining service lives of all active employees.

Regarding note disclosures and required supplementary information for governments that recognize cost-sharing pension liabilities, the Board tentatively decided that the same types of general information—such as plan description, benefit provisions, and assumptions used in measurement—that are required for sole and agent employers should also be required of cost-sharing employers. The Board tentatively agreed to also require disclosure of information about the net pension liability and related measures associated with each cost-sharing plan for which the government recognizes a pension liability.

Regarding transition and effective dates, the Board tentatively decided that the provisions of the proposed Statements would be applied retroactively to the extent it is practical in employer and plan financial statements. In regard to required supplementary information, the Board tentatively agreed that amounts would not be required to be presented for periods prior to implementation; however, retroactive application would be encouraged.

The Board tentatively decided the effective date would be for financial reporting periods beginning after June 15, 2012, for large, sole employers that are not involved in arrangements in which another entity would be required to report a share of the employer’s net pension liability and related measures as a result of a legally enforceable requirement to make contributions. For all other employers, the requirements of the proposed Statement would be effective for periods beginning after June 15, 2013. The Board tentatively agreed that pension plans would follow the same effective date requirements as tentatively decided for the employers.

**Statement of Net Position**

The Board began its redeliberations of the issues raised by respondents to the exposure draft by agreeing that it would not be necessary or appropriate to redeliberate conclusions reached in other pronouncements that gave rise to this project. Specifically, the establishment of the separate elements of deferred outflows of resources and deferred inflows of resources in Concepts Statement 4, and the requirements to report deferred outflows and deferred inflows of resources in Statements No. 53, Accounting and Financial Reporting for Derivative Instruments, and No. 60, Accounting and Financial Reporting for Service Concession Arrangements.

Key tentative decisions the Board has reached to date include that:

- Progress should continue toward issuing a final statement to provide guidance for reporting deferred outflows and deferred inflow of resources as soon as possible, rather than delaying this project and combining it with the separate deferrals omnibus project.
- Subtotals for assets and deferred outflows of resources and liabilities and deferred inflows of resources would be allowed to be presented.
- The option to use a balance sheet format would be reinstated for the final statement.
- The effective date of the statement would be changed to periods beginning after December 15, 2011.