I am looking forward to the opportunity to serve as president of NASACT for the upcoming year. I have served in state government for over 40 years and have been a member of NASACT for at least 30 of those years. I can say without reservation that my membership in NASACT and NSAA has been invaluable to me. As members, we are very fortunate to have such a strong and stable association to represent our interests. The recent annual conference in Burlington, Vermont, was a huge success and provided a wealth of valuable information to help prepare its members for the opportunities of the coming year. Yes, I said “opportunities” rather than “challenges.”

It seems that everywhere you go there is talk about challenges. There are challenges facing the economy, challenges facing the accountability community, challenges to our personal freedoms, challenges facing our country, etc. So I thought that rather than discuss the challenges, I’d like to focus on the positive and discuss instead just a few of the opportunities which will be afforded the NASACT membership in the coming year.

The Committee on Accounting, Reporting and Auditing’s Faster Financial Reporting Work Group is exploring opportunities for faster completion of CAFRs and single audits. While the focus of this subcommittee could easily be on the obstacles or challenges which seem to slow the CAFR and single audit process, I’m confident the subcommittee will also identify opportunities to not only shorten the process but improve it.

NASACT has an opportunity through its participation with the Public Finance Network to highlight the importance of the tax-exempt bond market. It is anticipated that the U.S. Senate Finance Committee will be looking at the tax exempt status of municipal securities as part of a broader discussion on tax reform. Through this effort, NASACT will have an opportunity to be part of a larger effort to ensure that Congress is aware of the necessity and importance of tax-exempt bonds as the primary mechanism for funding the nation’s public infrastructure, which is vital to both creating jobs and spurring our nation’s economic growth.

NASACT will also have an opportunity through its participation on a task force created by the National Association of Bond Lawyers to address the current focus of the U.S. Securities and Exchange Commission on the quality of disclosures for state and local government defined benefit pension plans.

These are just a few of the opportunities NASACT has in the coming year to help meet the challenges we face in our respective states as well as on the broader national front.

I’m sure many of you have examples of how the challenges in your respective agencies have resulted in opportunities for positive change. While many of you may think there is no putting a glad face on all of the challenges (and you may be right), there is no disputing that a large factor in how we meet those challenges is directly influenced by our perspective, i.e., whether we view them solely as challenges or as opportunities for positive change.

As I look forward to my year as president, I want to encourage all of you to examine the challenges your respective organizations are faced with as well as those facing NASACT and search for the opportunities they afford. They are there, and I’d like to ask for your help and support in the coming year to ensure that NASACT does not miss out on any of them.

President Ronald L. Jones Leads NASACT's Efforts in FY2012

Ronald L. Jones became president of NASACT in August at the 2011 NASACT Annual Conference. He is the chief examiner of the Alabama Department of Examiners of Public Accounts, serving his fifth seven-year term. He currently serves as vice chair of the National Intergovernmental Audit Forum and is a past president of the National State Auditor’s Association. He is a certified fraud examiner, a certified government financial manager, and a certified government finance officer.
NASACT Announces Next Webinar – “Workplace Ethics: Understanding Your Responsibilities”

NASACT, in conjunction with the Association of Government Accountants and the Association of Local Government Auditors, is pleased to announce the latest in its series of training events addressing timely issues in government auditing and financial management.

The webinar “Workplace Ethics: Understanding Your Responsibilities” will be held on Wednesday, January 18, 2012.

This webinar will cover general principles of workplace ethics, including the six steps to good decision-making, the differences between ethics and values, the responsibilities of public servants, and how to avoid and resolve ethical dilemmas. Through the use of hypotheticals, attendees will learn practical steps to avoid situations that can result in ethical violations. The last 25 minutes of the webinar will be interactive where attendees will be given an opportunity to ask questions and share their experiences.

The guest speaker, Jennifer Shaw, is a founding partner of Shaw Valenza LLP. She provides practical and business-oriented advice to private and public sector employers. In addition, she develops and presents engaging training seminars for management and non-supervisory employees. Jennifer also conducts independent internal investigations for public and private sector employers. Register today at www.nasact.org!

**Workplace Ethics: Understanding Your Responsibilities**

- **Date:** Wednesday, January 18, 2012
- **Time:** 2:00 - 3:50 p.m. Eastern Time
- **CPE:** Two credits
- **Cost:** $249.00 per group (unlimited attendance) or $50 per person
- **Register:** Register at www.nasact.org

Are You Interested in Serving on a NASACT Committee?

Committee participation is one of the best ways to get involved in NASACT’s activities. NASACT President Ronald L. Jones, is currently working to finalize the 2011-12 committees. If you are interested in serving on one of the committees listed below, please contact Glenda Johnson at gjohnson@nasact.org or (859) 276-1147.

**Training and Professional Development**

The purpose of this committee is to develop and plan the technical program at the NASACT annual conference and provide input on topics for NASACT webinars and the Training Seminars Program.

**Committee on Accounting, Reporting and Auditing (CARA)**

The CARA meets by conference call four times per year and once at the NASACT annual conference to discuss accounting, financial reporting, auditing and other matters related to the financial management of state government.

**Faster Financial Reporting Work Group**

This is a work group of the CARA. The work group will examine the issue of faster financial reporting in the states and will serve as a voice for the states as the national conversation about this issue unfolds.

**Financial Management and Intergovernmental Affairs (FMIAC)**

This committee examines emerging issues, monitors legislation and regulations affecting state governments, responds to municipal market issues, and works to improve intergovernmental relations. **Note:** This committee now covers issues previously covered by the Governmental Accounting Standards and Market Oversight (GASMO) Committee.

**Membership**

The Membership Committee is responsible for outreach to new and existing state auditors, comptrollers and treasurers and addressing other membership-related issues. **Note:** Committee participation is open to NASACT members and members’ staff.

**Did You Know?** Members of NASACT may view past committee meeting minutes and resources at www.nasact.org/nasact/committees/index.cfm (must be logged into the site). Committee rosters are viewable by any visitor to NASACT’s website.
New at www.nasact.org

The following new items have been posted on NASACT’s website:

- A letter from the Public Finance Network (of which NASACT is a member) to the Super Committee conveying the importance of the tax exemption for municipal bonds at www.nasact.org/index.cfm.

- A NASC technical inquiry on the following topic at www.nasact.org/nasc/technical/index.cfm (members only content):
  - Electronic Payment Information Security

- An NSAA technical inquiry on the following topic at www.nasact.org/nsaa/technical/index.cfm (members only content):
  - Audit Opinion Signatures

NSAA Seeks Peer Review Participants for 2012

NSAA has 25 peer reviews scheduled for 2012, which means that many review team members and leaders will be needed.

Potential team members should complete the “Team Member Qualifications Form” that can be found at www.nasact.org/nsaa/peerreview/index.cfm (must be logged in to view). Even if a qualification form has been previously submitted, a new form must be filled out each year. Potential team members should review the 2012 schedule (at the same link above) to inform their decisions in selecting a preferred state. Forms should be submitted by November 4, 2011.

NASACT Seeks Input on GASB ED, Responds to Pension EDs

Reporting Items Previously Recognized as Assets and Liabilities

On August 26, the Governmental Accounting Standards Board issued an ED on Reporting Items Previously Recognized as Assets and Liabilities. The proposed statement would reclassify or recognize certain items currently being reported as assets and liabilities as one of four financial statement elements—deferred inflows of resources, outflows of resources, deferred inflows of resources, or inflows of resources.

NASACT, through its Committee on Accounting, Reporting and Auditing, will be preparing association responses to the ED. The document can be downloaded at www.gasb.org. Please provide your comments for inclusion in NASACT’s response by Friday, October 21. Comments may be sent to Kim O’Ryan (koryan@nasact.org) or Sherri Rowland (srowland@nasact.org).

Pension EDs

NASACT will be providing letters of comment to GASB on the exposure drafts Accounting and Financial Reporting for Pensions and Financial Reporting for Pension Plans. GASB has extended its deadline to comment on these EDs from September 30 to October 14.

David McDermott, state controller of Colorado and co-chair of CARA, will be testifying on October 20-21 to offer NASACT’s views on the EDs. GASB will be hosting user forums and public hearings on the EDs on October 4, 13-14 and 20-21.

NASACT will also be providing comments on the preliminary views document Recognition of Elements of Financial Statements and Measurement Approaches.

Conference Call Reminders: Mark Your Calendar!

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

October 2011

- NASC Multi-State Consortium on Internal Control – October 6
- NASC Federal Tax Reporting Work Group – October 11
- NASC Transparency Information Sharing – October 18
- NASC Paperless Accounts Payable Information Sharing – October 20
- NSAA Human Resources Information Sharing – October 26

November 2011

- NSAA Performance Audit Information Sharing – November 3
- NASC State Government Payroll Information Sharing – November 9
- NASACT Committee on Accounting, Reporting and Auditing – November 15
- NASC Travel and Purchase Card Information Sharing – November 16

January 2012

- NSAA Human Resources Information Sharing – January 25
President’s Jobs Plan Includes Concerning Provisions for State and Local Governments

President Obama recently released the American Jobs Act of 2011. The proposal is the President’s latest effort to bolster job growth by proposing a number of provisions aimed at stimulating the economy including tax cuts, additional dollars for first responders, highway construction and repair, and other transportation projects. It also proposes to establish an American Infrastructure Financing Authority, which would be an independent entity with the ability to direct loans for viable infrastructure. Unfortunately, the plan also includes a number of concerning provisions for state and local governments.

The proposal seeks to limit the value of otherwise allowable deductions and exclusions to 28 percent (including the tax exemption for municipal bonds) for high-income earners, provides for a delay of the three percent withholding requirement rather than a full repeal, and specifically excludes state and local governments from the payroll tax relief provision.

The Administration is proposing a cap on the value of the tax exemption for high-income investors at 28 percent. The proposal is an attempt to offset the projected $447 billion dollar cost of the plan. State and local governments have long maintained the enormous benefits of tax-exempt financing for the construction and maintenance of critical infrastructure, and while the proposal is viewed as having little chance of enactment in its current form, it has heightened concern among municipal market participants as the inclusion of the provision in the jobs plan is a serious departure from long-standing tax policy.

Further, the limitation capping the benefit of the tax exemption provision, if enacted, is likely to have a significant negative impact on municipal bond investment and will raise the cost of borrowing significantly for state and local governments, as investors will likely demand a higher yield on bonds purchased. Simply put, it will likely drive up tax-exempt interest rates.

The plan also includes a provision supporting a one-year delay of the three percent withholding requirement, rather than repeal.

Lastly, although the President’s plan includes a section on payroll tax relief, it specifically excludes state, local and federal employers. The plan reduces the Social Security portion of payroll tax from 4.2 percent to 3.1 percent and adds a new reduction of payroll tax from 6.2 to 3.1 percent. The proposal also includes a credit for the last quarter of 2011 and for calendar year 2012 to offset an employer’s Social Security tax that would otherwise apply to increases in prior year wages.

3% Withholding Repeal Is a Priority for House Republicans

Repeal of the three percent withholding requirement continues to build momentum. House Republicans recently noted the need for repealing the requirement, recognizing that the provision will impose enormous accounting burdens on governments and potentially impose harmful cash flow disruptions on contractors and subcontractors across all sectors.

At the end of August, House Majority Leader Eric Cantor (VA) announced repeal of the three percent withholding requirement as part of the House Republicans’ fall/winter agenda. Further, Speaker of the House John Boehner (OH), speaking before the Economic Club of Washington, announced that the House will repeal the three percent withholding requirement.

President Obama also acknowledged the withholding requirement in the Administration’s jobs plan. Unfortunately, the plan supports only an additional delay of the requirement by one year and not a full repeal.

The Government Withholding Relief Coalition, of which NASACT is member, continues efforts to garner support in the Senate where repealing the provision has previously received little support.

NASACT members are encouraged to contact their members of Congress, particularly in the Senate, urging repeal. Talking points and a letter template can be obtained by contacting the Washington office at cchebinou@nasact.org.

IRS Issues Notice on Employer-Provided Cell Phones

The IRS has issued guidance concerning a provision passed as part of the Small Business Jobs Act in 2010 that removes cell phones from the definition of listed property. Very onerous record keeping was previously required to track personal use of employer-provided cell phones. The notice provides clarification to employers in accordance with the change and states:

“...when an employer provides an employee with a cell phone primarily for non-compensatory business reasons, the business and personal use of the cell phone is generally nontaxable to the employee. The IRS will not require recordkeeping of business use in order to receive this tax-free treatment.”

The IRS also issued a memorandum to its field examiners regarding employer reimbursements to employees who use their own cell phones for business purposes. The memorandum provides guidance to examiners who encounter this issue. The memorandum provides examples of when cell phone coverage that is maintained by the employee and reasonably related to the needs of the employer’s business may be excludable from income.

A copy of the guidance and the field memorandum is available at www.nasact.org/washington/announcements.cfm.
Legislative Update for the Fall

With Congress returning in September, several bills of interest to NASACT members may be acted upon this fall and into next year. It is also possible that some aspects of these bills may be included in the recommendations by the Joint Select Committee on Deficit Reduction, whose report to Congress is due by Thanksgiving. Specifically, NASACT members may wish to watch for action on the following legislation:

- **H.R. 674**: Rep. Wally Herger (R-CA) and Earl Blumenauer (D-OR) introduced legislation to amend the Internal Revenue Code of 1986 to repeal the imposition of a three percent withholding on certain payments made to vendors by government entities. The House bill currently has 241 co-sponsors and the two companion bills in the Senate have 11 (S.89) and 22 (S.164) co-sponsors.

  House Republicans have placed repeal of the three percent withholding requirement on their fall agenda. See the list of items to be addressed this fall at http://majorityleader.gov/blog/2011/08/memo-on-upcoming-jobs-agenda.html.

- **H.R. 1002**: Rep. Zoe Lofgren (D-CA) has introduced the Wireless Tax Fairness Act, which would prohibit states or local governments from imposing any new discriminatory tax on mobile services, mobile service providers, or mobile service property (i.e., cell phones) for five years after enactment. The bill defines “new discriminatory tax” as a tax imposed on mobile services, providers or property that is not generally imposed on other types of services or property, or that is generally imposed at a lower rate, unless such tax was imposed and actually enforced prior to the date of enactment. The bill has been marked up by the House Judiciary Committee and currently has 236 co-sponsors. Its companion legislation in the Senate (S. 543) has 12 co-sponsors.

- **H.R. 1376**: Rep. Bill Posey (R-FL) has introduced the National Activity Based Total Accountability Act. Included in the bill are requirements that:
  - Not later than 15 days before the end of a federal fiscal year, each state government that receives federal financial assistance in that federal fiscal year shall submit a state fiscal accounting report for the federal fiscal year to the director of the Office of Management and Budget.
  - In the state fiscal accounting report there will be a one-page summary that lists the total funding and expenditures of each budget entity of the state government, and for each budget entity of the state government, a unit-cost summary for the federal fiscal year.
  - If the director determines that a state government has failed, with respect to a federal fiscal year, to file a sufficient and timely state fiscal accounting report under this act, the director shall so inform the head of each federal department or agency. Each such head shall withhold 10 percent of any federal financial assistance provided to the state government for the next federal fiscal year.

  Currently this bill has neither co-sponsors, nor companion legislation in the Senate, but has been referred to the House Oversight and Government Reform Subcommittee on Technology, Information Policy, Intergovernmental Relations and Procurement Reform.

- **H.R. 1439**: Rep. Bob Goodlatte (R-VA) has introduced the Business Activity Tax Simplification Act. This bill would expand the federal prohibition against state taxation of interstate commerce to (1) include taxation of out-of-state transactions involving all forms of property, including intangible personal property and services, and (2) prohibit state taxation of an out-of-state entity unless such entity has a physical presence in the taxing state. The bill also sets forth criteria for determining that a person has a physical presence in a state, and the computation of the tax liability of affiliated businesses operating in a state. It was reported out of the House Judiciary Committee in July and currently has 12 co-sponsors.

- **H.R. 2146**: Rep. Darrell Issa (R-CA) introduced the Digital Accountability and Transparency (DATA) Act, which would track federal spending (grants, contracts, loans, and agencies’ internal expenses) on a single electronic platform. Recipient reporting requirements would be very similar to those involved in the Recovery Act. The bill has 11 co-sponsors and companion legislation in the Senate (S.1222) with no co-sponsors.


  NASACT’s recommendations on changes to the act can be found at www.nasact.org/washington/announcements.cfm.

- **S. 347**: Sen. Richard Burr (R-NC) has introduced the Public Employee Pension Transparency Act, which would punish state and local governments that fail to make the disclosures proposed under the bill by removing their ability to issue tax-exempt bonds. Additionally, the legislation states that the federal government would not be liable for any obligation relating to funding shortfalls in state or local pension plans, even though no state has asked for such a thing. The Senate version has eight co-sponsors, while the companion House bill (H.R. 567) has 51.

- **S. 868**: Sen. Orrin Hatch (R-UT) has introduced the State Flexibility Act, which would “…restore the long-standing partnership between the states and the federal government in managing the Medicaid program…” by repealing maintenance of effort requirements under the Recovery Act. The bill already has 25 co-sponsors in the Senate, and has companion legislation in the House (H.R. 1683) with 32 co-sponsors.

- **S. 1409**: Sen. Tom Carper (D-DE) introduced the Improper Payments Elimination and Recovery Improvement Act. This robust legislation would add new layers of tracking to federal payments, including (a) mandating the establishment of a government-wide “do not pay” list; (b) requiring recovery audit contractor pilot programs across federal agencies; and (c) expanding requirements and strengthening estimates for agencies’ improper payments. The bill is co-sponsored by Sens. Joe Lieberman (I-CT), Susan Collins (R-ME) and Scott Brown (R-MA) and has been referred to the Committee on Homeland Security and Governmental Affairs.
The National Association of State Comptrollers held a business meeting on August 15, 2011, in Burlington, Vermont, in conjunction with the NASACT Annual Conference. President Brenda Bolander (OK) welcomed everyone and recognized Scot Arehart (AK), Steve Barnett (SD), Cynthia Cloud (WY), Diane Langham (MS) and Stacy Neal (MO), who are new members attending their first NASACT conference.

Committee Reports

David McDermott (CO) reported for the Committee on Accounting and Financial Reporting. NASACT has responded to the following two exposure drafts from the Governmental Accounting Standards Board: Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and Derivative Instruments: Application of Hedge Accounting Termination Provisions. Members of the CAFR are presently studying the following due process documents: the EDs Accounting and Financial Reporting for Pensions and Financial Reporting for Pension Plans and the preliminary views document Recognition of Elements of Financial Statements and Measurement Approaches. Mr. McDermott co-chairs the committee with Mike Moody (MI).

Anna Maria Kiehl (PA) reported for the Advisory Committee for State Comptrollers: Technical Activities and Functions (Comptrollers’ Book). The committee has had two meetings to make revisions to the questions for the short- and long-term portions of the book. The focus is currently on the short-term portion. The questions for the first five chapters have been reviewed and edited. The group is attempting to simplify the questionnaire. Some minor changes have been made to the questions and some questions have been added. The answers to the questions will be pre-populated from the prior survey. Ms. Kiehl co-chairs the committee with Michael Keays (NE).

Lisa Pusich (AK) reported for the Statement 54 Work Group. Some states have early implemented including Alaska, Montana, Utah and West Virginia. Ken Schermann and Dean Mead of the GASB provide excellent technical support for the group. The group is chaired by Kathy Ross (OR).

Clark Partridge (AZ) reported for the Multi-State Consortium on Internal Control. A survey was recently sent out to gauge the awareness and usefulness of the documents created by the consortium. Now posted on NASACT’s website are the internal control questionnaires for 17 topics. Members of the group have volunteered to do a final review of all the questionnaires to make the documents uniform. The Multi-State Consortium on Internal Control is co-chaired by Meredith Hackney (ID) and Lynda Roesler (NE).

Michael Keays (NE) reported for the Federal Tax Reporting Work Group. The group calls about every six weeks and consists of members from 32 states. Cornelia Chebinou provides updates of the legislation related to three percent withholding and 1099 reporting. The group has discussed how each state is going to handle the additional workload from the new reporting requirements. Some states have shared their documents and procedures with the group; this information is posted on NASACT’s website. The implementation date is January 1, 2013. The work group is co-chaired by Mr. Keays and Trudy Vidal (OR).

Richard Eckstrom (SC), chair of the Program Committee reported that the 2012 NASC Annual Conference will be held in Oklahoma City on March 21–23. The Program Committee will begin meeting in October to start planning the conference.

Greg Griffin (GA), co-chair of the Middle Management Conference Committee, reported that the 2012 Middle Management Conference will be held on April 16-18 in Little Rock, Arkansas. The Program Committee will begin meeting in late November to start planning the conference. Mr. Griffin co-chairs the committee with Kent Olson (KS).

Paul Christofferson (MT), member of the Committee on Outreach, reported on behalf of Donna Jones (ID), chair, that the new members since the March NASC conference are:

- Scot Arehart is the new state comptroller in Alaska (mentor–John Reidhead)
- Diane Langham is the new state comptroller in Mississippi (mentor–Kim Wallin)
- Stacey Neal is the new state comptroller in Mississippi (mentor–Donna Jones)
- Steve Gonzales is the new acting state comptroller in New Mexico (mentor–Greg Griffin)
- Todd Jerue is the new chief operating officer in California (mentor–Kent Olson)

Kim Wallin (NV), chair of the Committee on the Financial Plan, informed the group that for FY2011, NASC will end the year with a positive balance instead of the loss that had been projected. She also provided some of the reasons for the positive year-end balance.

John Reidhead (UT), chair of the Resolutions Committee, reported that an email was sent out in July asking for resolutions; however, no recommendations were received.

Information Sharing Groups

Paperless Accounts Payable. David Von Moll (VA), member of the group, provided the report. The group held its first call on June 23 with participants from 18 states. The group is exploring ways to reduce or eliminate paper in the accounts payable process and will be discussing imaging, electronic payments and work flow. Different states will discuss their processes. The group is co-chaired by Ed Carter (NH) and Alan Skelton (GA).

State Government Payroll. Jim Reardon (VT) reported for the group. The mini-teleconference held in May included a question and answer session with the Internal Revenue Service, a discussion of the responses to the annual survey, and roundtable discussions. The call was two hours in length and had participants from 26 states. The 2011 survey is posted on NASACT’s website.

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deferred out resources—should be reported as assets and liabilities. There is a clear and growing need for guidance addressing items that appear to meet the definition of deferred outflows of resources and deferred inflows of resources as they appear in Concepts Statement No. 4, Elements of Financial Statements. Because these items are not specifically identified in the GASB’s authoritative literature as deferred inflows and outflows, they cannot be reported as such.

Concepts Statement 4 identifies consumptions and acquisitions of net assets related to future periods as deferred outflows of resources and deferred inflows of resources, respectively. Because the concepts statement explicitly states that recognition of deferred outflows and deferred inflows should be limited to those identified in GASB authoritative pronouncements, guidance is needed to determine which of these items—for example, deferred charges and deferred revenues—should be reported as deferred outflows of resources or deferred inflows of resources rather than as assets or liabilities.

Currently, two GASB pronouncements require the recognition of deferred inflows of resources and deferred outflows of resources. Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, requires the recognition of deferred outflows of resources and deferred inflows of resources related to changes in the fair value of hedging derivatives. Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, which will become effective for financial statements for periods beginning after December 15, 2011, requires the deferral of certain up-front payments a government receives from an entity it has contracted with to operate a major capital asset, such as a toll road or hospital.

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which also will become effective for financial statements for periods beginning after December 15, 2011, provides financial statement presentation guidance for these elements; however, it does not identify any additional items that should be recognized within these element classifications. Statement 63 only will apply to items that have been specifically identified by the GASB as deferred outflows of resources or deferred inflows of resources.

Project deliberations examined the existing GASB literature for items that could potentially meet the criteria for recognition as deferred outflows of resources and deferred inflows of resources. The exposure draft proposes that some assets would continue to be classified as assets, others would be recognized as deferred outflows of resources, and still others would be recognized as outflows of resources. Similarly, some liabilities would continue to be classified as liabilities, others would be recognized as deferred inflows of resources, and still others would be recognized as inflows of resources.

The proposed statement would improve financial reporting by standardizing the reporting of deferred outflows of resources and deferred inflows of resources in financial statements. Also, uncertainty regarding the classification of items that may seem to meet the definition of a deferred outflow of resources or a deferred inflow of resources would be diminished.

Proposed Effective Date

The requirements of this proposed statement would be effective for periods beginning after June 15, 2012, with earlier application encouraged.

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How to Obtain Copies of the Exposure Draft
Copies of the exposure draft may be downloaded free of charge from www.gasb.org. The comment deadline is November 18, 2011. Additional details on how to provide comments to the GASB on this proposal are available in the front of the exposure draft.

Chairman Announces Additions to Technical Plan for Final Third of 2011
GASB Chairman Robert Attmore has announced the addition of new current agenda projects on (1) fair value measurement and application and (2) technical corrections. These new additions are 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.

Fair Value Measurement and Application
The objective of this major project is to reexamine the definition of fair value, the measurement methodologies, and application to elements of financial statements and related note disclosures. The project will address issues relating to the fair value of alternative investments, including private placements, hedge funds, real estate investment trusts, state land trusts, life insurance policies, and partnership interest groups, for which there is no existing guidance. The project could potentially also address the measurement of derivative instruments and investments reported in governmental funds depending on the outcome of the Board’s conceptual framework project on recognition and measurement attributes. The Board is due to consider the project’s scope in October, and begin project deliberations in November.

Technical Corrections
The objective of this narrowly scoped practice issue is to resolve conflicting accounting and financial reporting guidance that resulted from the issuance of two recent standards, Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The project will review and consider alternative solutions for issues that have been brought to the attention of the staff through the GASB technical inquiry process regarding risk financing, valuation of loans, and recognition of rental revenues and expenses for certain operating leases. The Board is scheduled to issue an exposure draft on the project in October.

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

Recent Board Activity
The GASB met on August 17–19, and via teleconference on July 26 and September 8.

AICPA Audit and Accounting Guide—Health Care Entities
The Board reviewed Chapter 15, Unique Considerations of State and Local Government Entities, from the American Institute of Certified Public Accountants’ Audit and Accounting Guide, Health Care Entities, with representatives from the AICPA. After discussing the changes made to the chapter based on feedback received during the AICPA’s due process and events that have occurred since the release of the exposure draft, the Board unanimously cleared the chapter for issuance in the final guide.

Economic Condition Reporting—Financial Projections
The Board reached a tentative agreement on the title of the preliminary views, Economic Condition Reporting: Financial Projections. The Board also tentatively agreed to propose requiring specific disclaimers cautioning readers that actual future financial results may differ from the financial projections that are reported.

In reviewing a draft of the preliminary views, the Board offered various suggestions to improve the document and requested that the staff prepare a preballot draft to be discussed at the October 2011 Board meeting. In addition, the Board reviewed and discussed the alternative views provided by three Board members.

Financial Guarantees
In considering its financial guarantees project, the Board discussed the definition of a financial guarantee and the scope of the overall project. The Board tentatively agreed that the definition should contain the following attributes: the guarantor is required to perform an action—indemnification—under specified conditions and the guarantor is an entity separate from the entities involved in the underlying transaction being guaranteed.

The Board tentatively decided that the focus of the financial guarantees project is on guarantees provided and received as a result of nonexchange transactions. In discussing guarantees between a primary government and its component units, the Board tentatively agreed that both discretely presented and blended component units should be considered separate entities for purposes of applying the proposed provisions of the financial guarantees project.

Government Combinations
The Board continued to discuss several matters intended to further define how governments might apply a carryover approach in measuring government combinations that do not include financial consideration.

The Board discussed the presumption of generally accepted accounting principles reporting by the combining governments and tentatively agreed that the proposed guidance should contain an explicit requirement that the financial information that will be included in combined government financial statements be presented in conformity with GAAP as of the combination date.

The Board considered the initial reporting period for the combined government and discussed whether presentation should be based on a single approach or whether different approaches

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should be adopted to address various combination arrangements. The Board tentatively agreed that for combinations in which the combined government is substantively a new separate entity, the proposed presentation would be based upon the effective date of the combination. The Board discussed that qualitative guidance would be necessary to include in the proposed standards for determining the conditions for when a substantively new separate entity exists. The Board also tentatively agreed that for combinations in which a substantively new separate entity is not created, presentation should be based upon existing guidance for combinations that requires restating the financial statements as of the beginning of the reporting period.

The Board discussed whether modifications to conform accounting principles should be allowed—but not required—when applying a carryover approach in a government combination. The Board tentatively agreed that the proposal would provide that balances of combining entities be carried over as previously reported and that the proposed standards be permissive with regard to changes to conform disparate accounting principles. The Board tentatively decided that for any such changes, the opening balances should be proposed to be adjusted by use of a two-step process that first carries forward previously reported amounts, followed by adjustments to conform accounting principles (based on the use of professional judgment) within the context of a restatement note disclosure.

The Board next considered how changes in accounting estimates should be addressed in government combinations, and tentatively agreed that any changes to conform or modify accounting estimates should be proposed to be made on a post-combination basis. In considering the effects of precombination intra-entity transactions, the Board tentatively decided that the proposed guidance need not require the elimination of the effects of precombination intra-entity activities and balances. Precombination intra-entity transactions and balances between the combining governments could be considered for elimination based on the eliminations guidance provided in Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments.

The Board discussed how capital asset impairment could be recognized when government combination decisions contribute to the impairment. The Board tentatively agreed that if the circumstances of a government combination plan contemplate decisions to dispose of capital assets and the government will continue to use those assets as originally intended until a future sale occurs, then the proposed guidance should provide that the combined government should recognize those capital assets at their carrying amounts.

The Board also tentatively agreed that if intent to sell capital assets is considered by the combination plan and those capital assets will no longer be used by the combined government, the Board will propose that the capital assets identified be evaluated for impairment and adjusted by use of a two-step process that first carries forward previously reported amounts, followed by adjustments within the context of a restatement note disclosure.

Finally, in discussing how the financial reporting entity and component units would be addressed in a government combination, the Board tentatively agreed that a discussion in the proposed guidance for evaluation of component units and other relationships is unnecessary because the requirements of Statement No. 14, The Financial Reporting Entity, as amended, are sufficient for making related determinations.

Other Postemployment Benefits
Initiating consideration of the other postemployment benefits portion of its postemployment benefits project, the Board reviewed and approved the research plan as proposed by project staff.

User Guide Series
The Board discussed a draft table of contents of a new GASB user guide, What You Should Know about the Finances of Your Government’s Business-Type Activities: A Guide to Financial Statements. The Board considered the appropriateness of the topics covered in the guide and the types of business-type activities that would be discussed and illustrated. With respect to the other guides in the series, What You Should Know about Your Local Government’s Finances is expected to be published in September; What You Should Know about Your Local Government’s Finances is being revised and finalized to incorporate Board and advisory committee comments, and An Analyst’s Guide to Government Financial Statements is under review by the Board and the project’s advisory committee. ■

Archived Webcast on GASB’s Pension Proposals Now Available
An archive of the recent GASB webcast, An In-Depth Look at the GASB’s Pension Proposals, is now available at www.gasb.org. The two-and-one-half hour webcast originally aired live on Wednesday, September 7, 2011. The archived webcast focuses on two recently issued GASB exposure drafts relating to pension accounting, specifically the significant changes proposed in the financial reporting of governments that provide pension benefits, and the reporting by individual pension plans that administer those benefits. The archived webcast will be available on the GASB website through December 5, 2011. (Please note: CPE credit is not available for viewing the archived webcast.)
In Memoriam: Thomas J. Bardin, Jr.

Thomas J. Bardin, Jr., director of the South Carolina Legislative Audit Council, died unexpectedly on August 27, 2011. A celebration of his life was held at Chapin Presbyterian Church in Chapin, South Carolina, on Tuesday, August 30, 2011.

Mr. Bardin received his M.P.A. and B.A. from the University of South Carolina. After his graduation in 1979, he was employed at the South Carolina Legislative Audit Council as an assistant auditor. He worked at the Legislative Audit Council until 1997 becoming a senior audit manager. During this time he also served on the Executive Committee of the National Legislative Program Evaluation Society of the National Conference of State Legislatures. In 1997, Mr. Bardin became the head of the Division of Program Assessment at the South Carolina Department of Social Services. He was later promoted to the position of director of planning and quality assessment at the Department of Social Services. Mr. Bardin was appointed to serve as director of the Audit Council in January 2009, where he served with distinction.

George L. Schroeder Named Interim Director

On August 29, 2011, the Legislative Audit Council appointed George L. Schroeder as interim director of the council. Mr. Schroeder retired in 2009 after 33 years as director of the Audit Council. He was appointed the first director of the council in 1975 and served nine terms as director.

In Memoriam: John Fisher

John Fisher, manager, U.S. Department of Health and Human Services, Office of Inspector General, passed away recently. He was found dead in his home on Tuesday, September 13. More information will be forthcoming when it is available.

Mr. Fisher was involved with the single audit for over 25 years and was one of the project management staff for the recently conducted Single Audit Quality Project. He was also recently responsible for coordination and reporting on the U.S. Office of Management and Budget’s Single Audit Internal Control Project – ARRA Programs.

He graduated from the University of Kansas and was a member of the American Institute of Certified Public Accountants, Kansas Society of Certified Public Accountants, Missouri Society of Certified Public Accountants, Association of Government Accountants, Association of Certified Fraud Examiners and the American Accounting Association.

Alaska Gets a New Deputy Commissioner for Treasury

Angela Rodell, became Alaska’s deputy commissioner for treasury on Monday, September 12.

Formerly, Ms. Rodell served as financial advisor to more than $30 billion of transactions for state authorities in Alaska, Arkansas, California, Illinois, New Jersey, New York, North Carolina, Rhode Island and Virginia. Transactions included general obligation, pension obligation, public power, tobacco securitization, single family housing, multifamily housing, military housing, toll road and transportation financing. Prior to becoming a financial advisor, Ms. Rodell served as the finance officer to the Kentucky Housing Corporation.

She has a bachelor of arts degree from Marquette University and a master of public administration from the University of Kentucky. Ms. Rodell is a registered representative of the Financial Industry Regulatory Authority with licenses as a general securities representative (Series 7), uniform securities agent (Series 63), and investment banking representative (Series 79).

Ms. Rodell replaces Jerry Burnett, who will become administrative director for the Alaska Department of Revenue.

Pamela Sharp Wins Outstanding CPA in Government Award

Pamela Sharp has been selected by the American Institute of Certified Public Accountants as the state winner of the 2011 Outstanding CPA in Government Award. Ms. Sharp is the director of the North Dakota Office of Management and Budget. She was appointed to that position by Governor John Hoeven in 2003 and by Governor Jack Dalrymple in 2010. Prior to her appointment as director, Ms. Sharp served as deputy director.

A native of North Dakota, Ms. Sharp began her career in state government as a corporate income tax auditor in 1986. Ms. Sharp also served as an auditor for the State Auditor’s Office, controller for the State Treasurer’s Office, and budget analyst for the Office of Management and Budget.

Ms. Sharp is a member of the AICPA, the North Dakota Society of CPAs, the National Association of State Budget Officers, and the National Association of State Auditors, Comptrollers, and Treasurers.

Ms. Sharp graduated from the University of Mary in 1986 and obtained a Masters Degree in Management in 1996. Ms. Sharp has been a certified public accountant since 1986.
Calendar of Events

2012
March 21-23  ■ NASC Annual Conference, Oklahoma City, OK
April 16-18  ■ Middle Management Conference, Little Rock, AR
April 24-25  ■ Tennessee Government Training Seminar, Chattanooga, TN
April 26-27  ■ Tennessee Government Training Seminar, Nashville, TN
May 7-8    ■ Tennessee Government Training Seminar, Morristown, TN
May 10-11  ■ Tennessee Government Training Seminar, Jackson, TN
June 12-15 ■ NSAA Annual Conference, Madison, WI
August 11-15 ■ NASACT Annual Conference, Seattle, WA

NASACT Corporate Partners: Sign Up Now to Support the 2012 NASACT Conference!
By Donna Maloy, Conference Manager

NASACT corporate partners—plan now to participate in NASACT’s 2012 Annual Conference! Our corporate associates program offers your company various opportunities for exposure and participation at the conference as well as other benefits throughout the year, including a link 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.

We would like to thank those companies that have participated in this program in the past. The financial contributions and the knowledge that you have shared with the association have been invaluable. Although the next annual conference is almost a year away, we know that budgeting the dollars needed to participate in the program next summer must be earmarked early. The 2012 NASACT Annual Conference will be held August 11-15, 2012, in Seattle, Washington.

Benefits associated with membership in the corporate associates program vary by level. To view the complete brochure outlining the benefits and to see which companies are currently members, visit www.nasact.org/nasact/corporate/. Questions about the corporate associates program may be directed to Donna Maloy at dmaloy@nasact.org or (859) 276-1147.

2012 NASACT Annual Conference ■ Seattle, Washington
August 11-15, 2012

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The next issue of NASACT News will be published in October 2011. To submit articles, photos or ideas, contact Glenda Johnson by October 14 at gjohnson@nasact.org or phone at (859) 276-1147.