On November 21, President Barack Obama signed H.R. 674 into law repealing the three percent withholding provision of the Tax Increase Prevention and Reconciliation Act. NASACT and several other state and local organizations have been urging Congress to repeal the measure for several years.

Repeal of the onerous requirement was taken up by House leaders late in the summer and quickly proceeded through the legislative process. In an overwhelming show of bipartisanship, the Senate expeditiously passed the measure on November 10 by a vote of 95-0 with the House quickly following, voting 422-0 on November 16 to send the measure to the President for his signature.

Passage of the repeal measure is a big relief for state and local governments, as the provision would have imposed enormous administrative and financial burdens for cash strapped states and localities by requiring federal, state and most local governments to withhold three percent on certain payments to persons providing property or services beginning on January 1, 2013.

NASACT would like to thank all the members who worked diligently over the years to repeal the provision, as well as repeal sponsors Congressmen Wally Herger (R-CA) and Earl Blumenauer (D-OR) and Senators Scott Brown (R-MA) and David Vitter (R-LA), for their work to move the repeal effort forward.

In addition to repealing the onerous three percent withholding provision, H.R. 674:

- Creates tax credits for employers who hire military veterans.
- Amends the definition of modified adjusted gross income under Sec. 36B(d)(2), which determines eligibility for certain health care benefits and insurance coverage provisions under the Patient Protection and Affordable Care Act of 2010, P.L. 111-148.
- Allows the Internal Revenue Service to impose a 100 percent levy against payments due to a vendor for property sold or leased to the federal government if the vendor has an unpaid federal tax liability. Under current law, only vendors of goods or services are subject to the 100 percent levy.
- Directs the U.S. Treasury Department to conduct a study on tax compliance by vendors to the federal government.

The Long Road to Repeal

The Government Withholding Coalition, of which NASACT is a member, has been working with individual congressional members for several years to promote repeal. At www.nasact.org/nasact/positions/congressional.cfm are letters urging repeal dating back to 2006.

Despite these efforts, it was a targeted grassroots campaign this summer that got the attention of House leaders, who then made repealing the provision a priority. The withholding provision has been delayed twice before, once as part of the American Recovery and Reconciliation Act and once by the Internal Revenue Service via the issuance of the final regulations to implement the provision.

Questions about the three percent withholding repeal effort may be directed to Cornelia Chebinou (cchebinou@nasact.org) or Neal Hutchko (nhutchko@nasact.org).
W. Daniel Ebersole Named to FAF Board of Trustees

The Financial Accounting Foundation recently announced that W. Daniel Ebersole, Paul G. Camell and Michelle R. Seitz have been appointed to the FAF Board of Trustees. The FAF is the independent, private-sector organization responsible for the oversight of the Financial Accounting Standards Board and the Governmental Accounting Standards Board.

“The FAF Board of Trustees is proud to welcome its newest board members Paul, Dan, and Michelle,” said FAF Chairman John J. Brennan. “Their wide-ranging experience and extensive financial backgrounds will add significant value to the trustees as we work to support the FASB and GASB’s mission of independent and open standard setting.”

Mr. Ebersole served as state treasurer for the state of Georgia from 1997 to 2010, and was responsible for investing more than $14 billion of state and local government funds and administering two local government investment pools. Mr. Ebersole has more than 30 years of experience in both the executive and legislative branches of Georgia state government and served as a member of the Governmental Accounting Standards Advisory Council from 2003 to 2010. He was chairman of the GASAC from 2008 until 2010. Mr. Ebersole is a past president and a lifetime member of NASACT.

Paul G. Camell, M.B.A., is executive vice president of mergers and acquisitions and chief administrative officer for CDM, a global consulting, engineering, construction, and operations firm. Mr. Camell previously served as the firm’s chief financial officer and senior vice president of finance.

Michelle R. Seitz, CFA, is a member of the Executive Committee of William Blair & Company, L.L.C. Ms. Seitz has more than 24 years of investment experience and leads William Blair Investment Management, consisting of the institutional, mutual fund, and private wealth management businesses.

All three trustees will serve a five-year term that begins January 1, 2012.

The FAF Board of Trustees includes three governmental trustees. Mr. Ebersole will be filling the government seat held by John J. Radford, former state controller of Oregon, whose term ends December 31.

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For additional information about the Financial Accounting Foundation, visit www.accountingfoundation.org.

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 hypothetical situations, 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 |
New at www.nasact.org

- NASC technical inquiries on the following topics at www.nasact.org/nasc/technical/index.cfm (members only content):
  - Commuting Value
  - OPEB Irrevocable Trust Legislation
  - Tax Revenue Recognition
  - Posting Contract Information
  - Health Insurance Funding
- NSAA technical inquiries on the following topics at www.nasact.org/nsaa/technical/index.cfm (members only content):
  - Insurance Requirements for External Auditors
  - Audit Tracking System
  - Performance Audit Benchmarks
- State CAFR completion dates for fiscal years ended in 2006 through 2010 at www.nasact.org/nasc/positions/CAFR.cfm.
- NASACT’s response to the Governmental Accounting Standards Board’s exposure draft on Reporting Items Previously Recognized as Assets and Liabilities at www.nasact.org/nasact/positions/GASB.cfm.

State Profile Pages Now Contain Links to Single Audit Reports

NASACT’s state profiles now include links to state single audit reports. Visit www.nasact.org/nasact/directory/index.cfm to see your state’s profile. To update or correct information on the profile, contact Glenda Johnson at gjohnson@nasact.org.

NASACT Announces FY2012 Committees

Strategic Committees

Training and Professional Development
Co-Chairs: Ronald L. Jones (AL) and Linda Long (WA)

Committee on Accounting, Reporting & Auditing (CARA)
Co-Chairs: David J. McDermott (CO) and Auston Johnson (UT)

Financial Management & Intergovernmental Affairs (FMIAC)
Chair: D. Clark Partridge (AZ)

Membership
Chair: Rebecca Otto (MN)

Administrative Committees

Audit
Chair: Daryl G. Purpera (LA)

Budget
Chair: Calvin McKelvogue (IA)

Constitution and Bylaws
Chair: David Lillard, Jr. (TN)

Nominating
Chair: Nancy K. Kopp (MD)

Personnel
Chair: Ronald L. Jones (AL)

Resolutions
Chair: Richard Eckstrom (SC)

Strategic Planning
Chair: Martin J. Benison (MA)

Time and Place
Chair: James B. Lewis (NM)

For full committee rosters, minutes (members only), and other committee resources (members only), visit www.nasact.org/nasact/committees/index.cfm.

Conference Call Reminders: Mark Your Calendar!

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

December 2011

- NASC Paperless Accounts Payable – December 8
- NASACT Faster Financial Reporting – December 15

January 2012

- NSAA Human Resources Information Sharing – January 25
- NASC Internal Control Information Sharing – January 26

February 2012

- NASC Payroll Information Sharing – February 8
- NASC Travel and P-Card Information Sharing – February 15
NASACT Releases RFP for Benchmark Comparisons and Benchmark-Related Consulting Services

On November 15, NASACT released a request for proposals for benchmarking services and benchmark-related consulting services. NASACT is seeking qualified firms and consultants to provide:

1. Baseline measurements and benchmark comparisons of state agencies’ human resource (including payroll), procurement, IT, and financial business processes (Part A).
2. Strategic planning and implementation assistance relating to and resulting from a benchmarking study (Part B).

Firms may submit proposals on the baseline measurements and benchmark comparisons (Part A), benchmark-related consulting services (Part B), or both.

The RFP can be found in the “What’s New” section at www.nasact.org. NASACT members who wish to post this RFP to their individual state procurement sites may link directly to the file or download it for posting. Questions about the RFP process may be submitted to Kim O’Ryan at koryan@nasact.org or (859) 276-1147.

NASACT Participates in NAIF and Single Audit Roundtable

National Intergovernmental Audit Forum

The National Intergovernmental Audit Forum was held on Thursday, November 3, in Arlington, Virginia. Kinney Poynter attended on behalf of NASACT. Also in attendance were several state auditors, including Ronald L. Jones, state examiner of Alabama and NASACT’s president.

The forum opened up with remarks from U.S. Comptroller General Gene Dodaro. The theme of the meeting was “New Developments in Performance Measurement and Reporting.” Topics covered include the Government Performance Modernization Act, issues surrounding the False Claims Act, state and local budget concerns, standards updates, identifying government efficiencies and areas for improvement, and the Digital Accountability and Transparency Act (DATA Act).

Elaine Howle, state auditor of California and member of NASACT’s Executive Committee, delivered states’ concerns about the Data Act. She said that the DATA Act could present major challenges for states, especially the provisions calling for increased frequency and increased scope of reporting. She suggested ideas to address some of the challenges: the development of standardized data elements, timely and consistent guidance, state and local representation on the Federal Accountability and Spending Transparency (FAST) Board that will be created through the law, and funding for state and local governments to help carry out the intent of the DATA Act.

Single Audit Roundtable

Also on November 3, the Single Audit Roundtable held its second meeting of 2011. Cornelia Chebinou and George Strudgeon (VA) attended on behalf of NASACT. The roundtable is a forum that brings together federal, state and private sector parties that have a role in the single audit process. As is standard at the roundtable, attendees heard updates from representatives of the U.S. Office of Management and Budget, U.S. Government Accountability Office, American Institute of Certified Public Accountants, and the federal inspectors general community.

The meeting began with tributes to John Fisher, a long-time member of the roundtable and friend and colleague of the
MSRB Unveils New Website on State and Local Government Debt Issuance

By Neal Hutchko, Policy Analyst

On November 7, the Municipal Securities Rulemaking Board launched an online State and Local Government Toolkit as part of its work under the Dodd-Frank Wall Street Reform and Consumer Protection Act. The Dodd-Frank Act laid out new responsibilities for the MSRB, including protecting issuers of municipal securities, public pension plans and other public funds, as well as entities whose credit stands behind municipal securities. The MSRB fulfills this mission by regulating securities firms, banks and municipal advisors that engage in municipal securities and advisory activities through a body of fair practice, disclosure, conflicts of interest and other rules.

The MSRB is using the new toolkit to provide information to state and local governments about bond issuance as it relates to regulations governing financial professionals, as well as instructions for using the MSRB’s Electronic Municipal Market Access (EMMA) website. The EMMA website allows state and local governments to easily make bond disclosure documents available to the public. Within the toolkit are two instructional videos: “Six Things to Know When Issuing Municipal Bonds” and “EMMA Continuing Disclosure Overview.”

“We hope this toolkit will be a valuable resource to state and local governments to use in their relationships with municipal market professionals as well as in communicating key information to investors,” said MSRB Executive Director Lynnette Kelly Hotchkiss.

MSRB staff are interested in hearing ideas about how to upgrade the toolkit to enhance its usability. Questions the MSRB wishes to pose to users of the toolkit include:

1. What kinds of educational material would be helpful for state governments and organizations to better understand the role and responsibilities of the financial professionals they hire to help them issue state bonds? MSRB has prepared materials describing the obligations of underwriters, how the EMMA system works, and an EMMA “tip sheet” for issuers on how to keep their submissions current.

2. What data and information would help your members better understand opportunities and information to get the best possible returns and price on sales of capital debt?

If you have responses to these questions to share with the MSRB, please send them to Neal Hutchko at nhutchko@nasact.org at your earliest convenience so that your concerns can be relayed to the MSRB.

The MSRB is a self-regulatory organization (SRO) organized under the Securities Exchange Act and is subject to oversight by the U.S. Securities and Exchange Commission.

The MSRB’s State and Local Government Toolkit can be found at www.msrb.org/MSRB-For/Issuers/Issuer-Toolkit.aspx.

NAIF, Single Audit Roundtable Recap

(continued from previous page)

single audit community. Mr. Fisher passed away unexpectedly in September after a distinguished career in public service, most recently in the Office of Inspector General, U.S. Department of Health and Human Services.

Gilbert Tran of the OMB provided an update on several initiatives underway and promised attendees that the Compliance Supplement is on schedule for release in March 2012. Mr. Tran also commented on recommendations that came out of the workgroup formed as a result of the President’s Memorandum on Administrative Flexibility. He noted that OMB is reviewing the recommendations and is specifically considering three items in the area of single audit: (1) leadership in the federal government over single audit, (2) the possibility of raising the single audit threshold, and (3) focusing on compliance requirements that help the federal government identify fraud. Mr. Tran noted that HHS is currently developing audit metrics to point out federal programs that are at risk. Mr. Tran also commented on an effort to elevate grants management to a higher level and informed attendees that OMB is developing a FAQ document regarding recently identified issues with the Federal Financial Assistance and Transparency Act (or FFATA).

Marcia Buchanan of GAO reviewed the 2011 Yellow Book (Internet version), noting that GAO is trying to wait for the results of the AICPA’s clarity project before issuing the final. She did state that the final Yellow Book would be released by the end of the year. Ms. Buchanan also reviewed the updated independence standard and told participants that GAO is working with OMB on a tiered approach to the single audit.

The AICPA is working on a number of changes regarding the clarity project hoping that those standards would be applicable for years ending December 31, 2012. The AICPA also has a current project making changes to SAS 119 and will have new practice aides available to assist auditors.

Paul Fite of the Federal Audit Clearinghouse provided participants with an update of form changes that will be coming over the next several years, specifically noting that by 2014 all files must be text searchable PDF files.

The next Single Audit Roundtable is scheduled for May 9, 2012.

News From Around the Nation

Voters in Kentucky and Mississippi Select New Officials

Although 2011 is an “off” election year, two states, Kentucky and Mississippi, still had elections for state auditor and state treasurer seats earlier this month.

In Kentucky, Adam Edelen, former chief of staff to Gov. Steve Beshear, was elected as state auditor, defeating John T. Kemper, III, a Lexington developer. The treasurer’s race went to incumbent Todd Hollenbach, who earned another four-year term by defeating K.C. Crosbie and Ken Moellman.

In Mississippi, the treasurer’s position was open, as former State Treasurer Tate Reeves ran for, and won, the lieutenant governor’s seat. Lynn Fitch, a State Personnel Board director, defeated Ocean Springs Mayor Connie Moran and Reform Party candidate Shawn O’Hara to become the next state treasurer. In the race for state auditor, incumbent Stacey E. Pickering won a second term over Reform Party candidate Ashley Norwood.

In addition, former state auditor and lifetime member of NASACT Phil Bryant is now the governor of Mississippi, defeating Hattiesburg Mayor Johnny DuPree.

California Shuts Down Transparency Website

On October 9, California Gov. Jerry Brown issued Executive Order B-12-11 to shut down the state’s transparency website. The site, www.transparency.ca.gov, was created in 2009 under the leadership of former Gov. Arnold Schwarzenegger.

Visitors to the site now see a message stating, “Governor Brown is committed to keeping state government open and transparent while eliminating inefficiencies and unnecessary costs...” The message also provides links to other resources to find some information (i.e., salary data, information about awards and contracts, and audits) which was previously available through the transparency website.

The Executive Order B-12-11 can be found at http://gov.ca.gov/news.php?id=17274.

Ricky A. Bejarano is Named State Controller in New Mexico

Ricky A. Bejarano, CPA, is the new state controller and director of the Financial Control Division in New Mexico. Mr. Bejarano is a licensed CPA in the state of New Mexico. He has a distinguished resume and a proven track record as someone who can solve big problems. He has been in the accounting, audit, and tax field for over 33 years and has held financial positions within the private industry, public accounting, non-profit, and government sectors. He belongs to a very short list of individuals in the state of New Mexico who have held management positions at all three of the following: a “Big 4” accounting firm (KPMG); the New Mexico State Auditor’s Office; and, large state agencies such as the Taxation and Revenue Department, Public Education Department, and the Department of Health. He has been an adjunct instructor at the Santa Fe Community College where he taught accounting and finance courses for seven years. He earned his M.B.A. at the University of Phoenix.

Jan S. Gouveia Serves as Hawaii’s Acting State Comptroller

Jan S. Gouveia is serving as Hawaii’s acting state comptroller. She is replacing Bruce Coppa who left the position to serve as chief of staff to Hawaii Gov. Neil Abercrombie.

Donna Jones Announces Leadership Changes in Idaho State Controller’s Office

Idaho State Controller Donna Jones recently announced the appointment of Brandon Wooff to the position of chief deputy controller for the State Controller’s Office. Mr. Wooff, a 14-year veteran of the controller’s office, formally served as administrator over the office’s Division of Statewide Payroll. In his new role he will oversee the agency’s divisions of Accounting, Payroll, Computer Services and Administration.

In a corresponding move, State Controller Jones appointed Audrey Musgrave to serve as administrator over the Division of Statewide Payroll. Ms. Musgrave, a 31 year veteran of the Controller’s office, previously served as bureau chief over Payroll Processing. In her new role she will manage the operation of Idaho’s statewide payroll system.
Update From GASB

November 2011

GASB Issues Exposure Draft Addressing Technical Corrections

At its October meeting, the Governmental Accounting Standards Board approved an exposure draft of the proposed statement Technical Corrections. The proposal is designed to resolve conflicting guidance that resulted from the issuance of two recent pronouncements: Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

Since the release of Statement 54, questions have arisen about differences between the provisions of Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, and Statement 54, regarding the reporting of risk financing activities. Concurrently, since the release of Statement 62, questions have also come to light with respect to reporting differences between the provisions of Statements No. 13, Accounting for Operating Leases with Scheduled Rent Increases, No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, and Statement 62, regarding the reporting of certain operating lease transactions and the reporting of the acquisition of a loan or a group of loans.

Risk Financing Activities

Statement 10, which was issued in 1989, establishes guidance for risk financing and insurance-related activities. Paragraph 63 requires that if a single fund is used to account for an entity’s risk financing activities, it should either be the general fund or an internal service fund.

Though the definition of a special revenue fund provided in Statement 54 would allow for certain risk financing activities to be reported in a special revenue fund, the specific guidance provided in paragraph 63 of Statement 10 was not superseded. Consequently, the exposure draft proposes to amend Statement 10 by removing paragraph 63. As a result, governments would base their decisions about governmental fund type usage for risk financing activities on the definitions in Statement 54.

Operating Leases

Statement 13 establishes guidance for governments that enter into operating leases with scheduled rate increases. The guidance provided in paragraphs 6(a) and 6(b) allows the lessor government to recognize operating lease payments on either a straight-line basis over the lease term or based on the estimated fair value of the rental.

Statement 62, which was issued in December 2010, incorporated into the GASB’s authoritative literature certain guidance that was included in pronouncements from the Financial Accounting Standards Board and American Institute of Certified Public Accountants. The guidance on reporting operating leases that originated from FASB Statement No. 13, Accounting for Leases, was incorporated into the GASB authoritative literature with the issuance of Statement 62.

The exposure draft proposes to amend Statement 62 by modifying the specific guidance on accounting for operating lease payments that varies from a straight-line basis and to eliminate any uncertainty regarding the application of Statement 13.

Purchase of Loans or Groups of Loans

Statement 48 establishes guidance for governments that exchange an interest in their expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The guidance contained in paragraph 13 requires that the transferee government recognize the receivables acquired at the purchase price. However, Statement 62 brought into the GASB’s authoritative literature guidance on the reporting of the purchase of a loan or group of loans contained in FASB Statement No. 91, Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases.

The exposure draft proposes to amend Statement 62 by modifying the specific guidance on accounting for the difference between the initial investment and the principal amount of a purchased loan or group of loans. This would result in guidance that is consistent with the requirements in Statement 48.

Proposed Effective Date

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

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 December 16, 2011. Additional details on how to provide comments to the GASB on this proposal are available in the front of the exposure draft.

Michael Belsky Resigns from Board

The Financial Accounting Foundation announced in October that Michael Belsky tendered his resignation from the GASB to accept a position with an investment advisory firm active in the municipal bond business and that also works directly with government agencies and institutions.

Although part-time GASB members are able to hold other employment positions while serving on the GASB, the organization’s code of conduct and ethical policies require that they avoid activities that may create the appearance of losing

(article continued, next page)
personal independence or objectivity or affect the confidence of the public in the integrity, independence, or objectivity of the GASB. Because Mr. Belsky’s future work could potentially overlap with GASB initiatives, he suggested that his resignation from the GASB was appropriate, and the FAF concurred.

The FAF has commenced a nationwide search to seek Mr. Belsky’s replacement on the Board.

GASB Holds Public Hearings and User Forums in October

In October, the GASB held a series of public hearings and user forums on issues discussed in the exposure drafts relating to its pension accounting and financial reporting project and its preliminary views on recognition and measurement approaches under its conceptual framework. As reported in the October issue of NASACT News, representatives of NASACT participated in the public hearings on both projects.

The GASB holds public hearings and user forums to allow the Board an opportunity to better understand constituent input through the question and answer sessions with respondents in the public hearing and listening to the rationale behind user positions provided in response to questions asked about the Board’s proposals.

Pension Public Hearings and User Forums

The Board held public hearings and three user forums in New York, San Francisco, and Chicago on the exposure drafts Accounting and Financial Reporting for Pensions and Financial Reporting for Pension Plans. Over the course of the hearings, the GASB received testimony from 33 individuals and organizations, including actuaries, consultants, preparer organizations (including NASACT), public employee retirement systems, and financial statement users. The user forums drew a total of 19 participants, including representatives of citizen groups, research organizations, legislative/oversight groups, bond rating agencies, academics, and financial analysts.

The GASB is committed to reviewing the effectiveness of its standards to determine whether they continue to support accountability and result in the reporting by state and local governments of decision-useful information. The Board received more than 300 unique written responses to the exposure drafts. The input received during the comment period and through the public hearings and user forums will provide valuable input to the Board as it continues its deliberations on pension accounting and financial reporting issues.

Concepts Public Hearings

The Board also held three public hearings in New York, San Francisco, and Chicago on the preliminary views document Recognition of Elements of Financial Statements and Measurement Approaches.

This project is ultimately expected to yield a concepts statement. Concepts statements are intended to provide a framework of interrelated objectives and fundamental concepts that can be used as a basis for establishing consistent financial reporting standards that can be applied to solve numerous financial accounting and reporting issues. The input received during the comment period and through these public hearings will provide valuable information to the Board as it continues its deliberations regarding recognition and measurement approaches under its conceptual framework.

Recent Board Activity

The GASB met in early October to discuss issues associated with its projects on financial projections related to economic condition reporting, technical corrections, government combinations, financial guarantees, and measurement and application of fair value. The teleconference meeting scheduled for October 18 was cancelled.

Economic Condition Reporting—Financial Projections

The Board discussed the preballot draft of the preliminary views document Economic Condition Reporting: Financial Projections and offered suggestions to clarify and improve various elements of the document. The project is scheduled for additional discussion in November.

Government Combinations

In its government combinations project, the Board considered topics related to measurement and financial reporting for combination arrangements in which a government acquires another organization in exchange for financial consideration. The Board tentatively agreed that the proposed standards need not address guidance for determining the acquiring government because in a government acquisition arrangement, the acquirer is likely to be the entity that exchanges its resources to acquire another organization. The Board discussed and tentatively agreed that the acquisition date—the date on which a government acquires assets and assumes liabilities—should be specified for government acquisition arrangements for accounting measurement and financial reporting purposes.

In considering a requirement for identification of the assets acquired and liabilities assumed in acquisition arrangements, the Board tentatively agreed that in order to qualify for recognition as a government acquisition, the assets acquired and liabilities assumed should meet the definitions of assets and liabilities in Concepts Statement No. 4, Elements of Financial Statements (that is, an asset is a resource with present service capacity that the government presently controls, and a liability is a present obligation to sacrifice resources that the government has little or no discretion to avoid). Additionally, the proposed guidance should explicitly require the acquiring government to identify the assets acquired and the liabilities assumed.

Other tentative decisions reached by the Board include:

- Identification of deferred outflows of resources and deferred inflows of resources of acquired governments should be required.

(continuation from previous page)
• In considering the measurement of assets acquired and liabilities assumed by a government’s acquisition of another organization, measurements of identified assets acquired and liabilities assumed should be at their fair value, to the extent appropriate.
• Guidance on financial consideration is necessary to establish the types of resources and items that should be included when establishing a purchase price for accounting and financial reporting purposes.
• Financial consideration transferred could be measured as the sum of the acquisition-date fair values of the assets transferred and liabilities incurred to the former owners of the acquired organization.
• Regarding recognition and measurement of differences between the purchase price and net assets acquired in a government acquisition arrangement, the purchase price should be allocated to the values assigned to the net assets acquired and to the net carrying amounts of the deferred outflows of resources and deferred inflows of resources.
• When the purchase price exceeds the net assets acquired, the acquiring government should recognize the difference as a deferred outflow of resources and that difference should be attributed to future periods in a systematic and rational manner.
• When the purchase price is less than the net assets acquired, the acquiring government should recognize the difference as an inflow of resources in the period of acquisition.
• Acquisition-related costs should generally be recognized as an outflow of resources in the periods in which the costs are incurred and the services are received.

Financial Guarantees
In its project addressing financial guarantees, the Board discussed issues regarding the recognition and measurement of financial guarantees that are nonexchange transactions.
In discussing incorporation of the recognition requirements of providers in Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, for recognition of nonexchange-based guarantees extended by a government, the Board tentatively agreed to consider these requirements after discussion of other recognition and measurement issues.

Considering whether events should be specified that require a guarantor to recognize and measure a liability resulting from extending a nonexchange-based financial guarantee, rather than requiring recognition and measurement as a result of certain events, the Board tentatively agreed to examine principles-based recognition and measurement requirements for guarantors that extend nonexchange-based financial guarantees.

Finally, addressing the effect of recoveries such as intercept programs on the measurement of a liability by a guarantor of a nonexchange-based financial guarantee, the Board tentatively agreed that intercept programs generally have characteristics that make them distinct from financial guarantees, although the Board noted that there could be intercept arrangements that are similar to a financial guarantee.

Fair Value—Measurement and Application
In its project addressing fair value measurement and application, the Board began deliberations by reviewing background material on fair value definitions in current GASB literature and the literature of other accounting standards setters.

The Board reaffirmed its tentative decision reached during deliberations of the preliminary views document Recognition of Elements of Financial Statements and Measurement Approaches that a fair value definition should not be limited to only financial instruments but could potentially include other assets and liabilities. In addition, the Board tentatively agreed that discussions of a definition of fair value should begin with FASB Accounting Standards Codification® Topic 820, Fair Value Measurement.

News From Washington
NASACT Joins Other Organizations to Seek a Voice in Federal Grants Reform Efforts
On November 17, NASACT joined several other state organizations to send a letter to Jacob Lew, director of the U.S. Office of Management and Budget, to urge that state and local representatives be included as part of a proposed Council on Financial Assistance Reform. The letter can be found at www.nasact.org/downloads/11_11_OMB_CouncilonFinancialAssistanceReform.pdf.

M-12-01, “Memorandum for the Heads of Executive Departments and Agencies on Creation of the Council on Financial Assistance Reform,” seeks to create a more streamlined and accountable structure for the coordination of federal financial assistance. That effort includes the suggested development of a Council on Financial Assistance Reform. NASACT and the other state organizations support OMB’s efforts to streamline and improve the process. However, the omission of any state or local representation on the council is an egregious oversight, especially considering that over 80 percent of all federal assistance flows to or through state and local governments. The letter sent to Mr. Lew concludes:

Although M-12-01 recognizes the need for a body to represent the interests and perspectives of the financial assistance community, exclusion of recipients from the new council does not address this need... State and local governments have a wealth of experience and expertise gained from administering, funding and carrying out federal programs that are best shared through our direct participation on the council.

For more information about this matter, contact NASACT’s Washington office at (202) 624-5451.
## Calendar of Events

### 2012

<table>
<thead>
<tr>
<th>Month</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 18</td>
<td>Webinar - Workplace Ethics: Understanding Your Responsibilities</td>
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<tr>
<td>February 29</td>
<td>Webinar - Clarifying the Clarity Standards: Overview</td>
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<tr>
<td>March 21-23</td>
<td>NASC Annual Conference, Oklahoma City, OK</td>
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<tr>
<td>April 16-18</td>
<td>Middle Management Conference, Little Rock, AR</td>
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<tr>
<td>April 24-25</td>
<td>Tennessee Government Training Seminar, Chattanooga, TN</td>
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<tr>
<td>April 26-27</td>
<td>Tennessee Government Training Seminar, Nashville, TN</td>
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<tr>
<td>May 2</td>
<td>Webinar - Clarifying the Clarity Standards: Group Audits</td>
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<tr>
<td>May 7-8</td>
<td>Tennessee Government Training Seminar, Morristown, TN</td>
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<tr>
<td>May 10-11</td>
<td>Tennessee Government Training Seminar, Jackson, TN</td>
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<tr>
<td>June 12-15</td>
<td>NSAA Annual Conference, Madison, WI</td>
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<tr>
<td>August 11-15</td>
<td>NASACT Annual Conference, Seattle, WA</td>
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<tr>
<td>September 25-28</td>
<td>NSAA IT Workshop &amp; Conference, Nashville, TN</td>
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## Mark Your Calendar for 2012 Conferences!

By Donna Maloy, Conference Manager

**NASC Annual Conference**

We begin the year with the annual conference of the National Association of State Comptrollers on March 21-23. NASC’s Program Committee, chaired by Richard Eckstrom, comptroller general, South Carolina, is currently working on the technical program. A draft program agenda will be posted to NASACT’s website in January. The conference hotel, The Skirvin Hilton, is located in the heart of Oklahoma City.

**NASACT Middle Management Conference**

The 2012 NASACT Middle Management Conference is scheduled to be held April 16-18, at The Peabody Hotel located on the Arkansas River in the heart of the downtown River Market District in Little Rock.

**NSAA Annual Conference**

State auditors will have their annual conference on June 12-15, in Madison, Wisconsin. The Madison Concourse Hotel is located in the center of downtown Madison, one block from the state capitol building and one block from State Street, offering a wide variety of fine restaurants, museums and shops.

**NASACT Annual Conference**

The 2012 NASACT Annual Conference will be held August 11-15, in beautiful Seattle, Washington. The conference hotel, the Grand Hyatt, is located in the heart of downtown Seattle, just steps from Pike’s Place Market, Seattle Waterfront and the Space Needle.

**NSAA IT Conference and Workshop**

The 2012 NSAA IT Workshop and Conference will be held September 25-28 in Nashville, Tennessee, at the DoubleTree Hotel. The DoubleTree is centrally located in the heart of downtown Nashville.

**More Information**

If you would like to pre-pay for any of these conferences, please contact Donna Maloy at dmaloy@nasact.org or (859) 276-1147 to make arrangements. Questions may be directed to the same phone number.