On March 14, NASACT provided an official association response to the Governmental Accounting Standards Board’s preliminary views document *Economic Condition Reporting: Financial Projections*. The letter is available for download at www.nasact.org/nasact/positions/GASB.cfm. The body of the letter is also reprinted at the end of this article.

In the response, NASACT strongly opposes the inclusion of financial projections and estimates in a government’s general purpose external financial reporting. Further, NASACT believes that financial projections and estimates fall well outside the realm of governmental accounting and financial reporting in general, and that GASB should discontinue the project. These views stem from a number of conceptual, operational and practical reasons that are outlined in the response letter.

NASACT gathers input on GASB due process documents through its Committee on Accounting, Reporting and Auditing, as well as the state auditor’s Auditing Standards and Reporting Committee and the state comptrollers’ Committee on Accounting and Financial Reporting. To view committee rosters and meeting minutes, visit www.nasact.org (must be logged into the site as a member to view minutes).

Questions about NASACT’s position on the PV or NASACT’s process to respond to due process documents from standards setters such as GASB may be directed to Sherri Rowland (srowland@nasact.org) or Kim O’Ryan (koryan@nasact.org). Sherri and Kim may also be reached at (859) 276-1147.

From NASACT’s Response Letter to GASB:

*While we agree that the issue of fiscal sustainability is important for the government financial statement user community, and believe decision-makers and other stakeholders may desire forward-looking information such as projections and estimates to make fiscal and policy decisions, we believe this information is most appropriately communicated to all interested parties in a government’s budgetary and similar documents. We strongly disagree that such information should be included (even as required supplementary information) in a government’s general purpose external financial reporting. In addition, the required projections cannot practically be developed without including some forecasts, which by their nature are volatile, unreliable, and often politically charged. As such, we believe such information falls well outside the realm of governmental accounting and financial reporting, and thus outside the GASB’s purview and (continued, next page)
NASACT Responds to GASB (continued from previous page)

jurisdiction. Our disagreement with the preliminary views, and our belief that the Board should discontinue any efforts to promulgate where and how this information is communicated within external financial reporting, stem from a number of conceptual, operational, and practical reasons.

Projections of inflows and outflows and related forward-looking information are a product of budgeting requirements and budgetary processes, and are subject to change with each legislative session. These kinds of projections are developed by government officials using the parameters required or expected of them by laws, regulations, and policies. Projections may need to be one year, two years, or even five years, but should be based solely on a particular government’s laws, regulations, governance policies, or economic assumptions—not based on an accounting standards setter’s promulgation. Likewise, with respect to projections and forward-looking information, what information a government reports, how much information the government reports, and the format the government uses to report the information, should be based on what each government determines is appropriate to assist it for fiscal and policy analysis and purposes. Such information should not be based on a basis and format prescribed by a standards setter. Furthermore, this type of information is inherently subjective and subject to continual changes in economic and political conditions, and therefore, lies outside the focus of objective and verifiable accounting and financial reporting. We strongly believe communicating this type of information should remain solely an activity within a government’s budgetary process.

We do not agree with, and are not persuaded by, the Board’s conclusion that reporting financial projections and the related narrative discussions are essential for placing the basic financial statements and notes to the basic financial statements “in an appropriate, operational, economic, or historic context” (GASB Concepts Statement 3, paragraph 42). We fail to see how projections such as those proposed in the PV would provide any information that helps a user understand the operational or economic context of the historical results that are presented in the financial statements. GASB Concepts Statement 3, paragraph 44, which states that RSI does not include “subjective assessments of the effects of reported information on the reporting unit’s future financial position,” supports our position that the PV’s proposed financial projections do not meet the criteria for reporting as RSI.

One of the basic premises for inclusion in financial statements is that the information be measurable with sufficient reliability—a standard that these projections cannot meet. We believe that the financial projections proposed in the PV are based on highly subjective assumptions that can be affected by many significant factors that are unknown at the time the data is being compiled. A point-in-time set of projection assumptions belies the complexity involved and the need to continually address economic, financial, and political fluctuations in order for the projection to be meaningful. Annual financial reporting cannot address this need. Also, a government’s prospective financial activities are subject to changes due to the composition of its executive and legislative bodies, assumptions that may or may not result from consensus, and manipulation to produce desired results. In addition, because of the nature and timing of financial reporting and audits of financial reports, the financial projections proposed to be provided in the Comprehensive Annual Financial Report would unavoidably be considered outdated by the time the CAFR is issued.

We believe some information that enables users to assess fiscal sustainability is currently available in CAFRs. The ten-year trend information for Changes in Net Assets (accrual basis) and Changes in Fund Balance of Governmental Funds (modified accrual basis), currently presented in the statistical section of the CAFR, provides users with most of the information necessary to extrapolate future periods for assessing fiscal sustainability. In addition, the Notes to the Financial Statements currently provide debt-service schedules and other relevant data for many of the government’s reported long-term liabilities and the Management’s Discussion and Analysis provides limited information on known policy changes for the next fiscal year. We believe this information enables users to make a sufficient and fair assessment of anticipated economic and other activities and their potential effects on a government organization.

We also believe that financial projections included in general purpose external financial reporting could be misleading to, and possibly misinterpreted by, the users of that information. By including this information in RSI, we believe that users will presume some level of assurance that the information is audited or verified by the government’s auditors. While the audit opinion describes the limited work and lack of opinion on the accuracy of the projected information, it is likely that users will implicitly believe it is accurate. The inclusion of projections in RSI inappropriately lends substantial credibility to the information regardless of the fact that the auditors do not opine on the RSI.

As a final point, we doubt the benefit derived exceeds the cost to governmental entities in reporting financial projections and related narrative discussions in annual general purpose external financial reporting. We are concerned about the negative impact the preparation of these projections will have on the timeliness of issuing audited financial statements. These projections will create an extraordinary amount of additional effort, including modifications to processes for capturing, preparing, validating, and reporting this information. Governments currently have to make hard choices when allocating resources, and will generally allocate resources towards providing services to citizens rather than for additional financial reporting costs. Governments are already working with limited resources and devoting the additional time required to gather and report this information will have a substantial negative impact on the timeliness of issuing financial reports. We also believe we are already at the point of providing the user constituencies with so much data that it has diminished the overall value of the information provided in the financial reports.

We strongly believe that the Board should discontinue this project. As such, we respectfully decline to answer the PV document’s list of questions, as they are not relevant to our position on this proposed document.

***
OMB Releases Ideas to Reform Grants Policy, Including the Single Audit and Cost Principles

The U.S. Office of Management and Budget has issued a notice of intent to reform policies associated with federal grants. Of particular interest to NASACT members are ideas to reform the single audit process and federal cost principles. The reform ideas are a result of recommendations from several workgroups developed pursuant to two Presidential memorandums looking at ways to reduce improper payments and provide administrative flexibility to state, local and tribal governments.

OMB is evaluating potential reforms to federal grant policies, including raising the single audit threshold, reducing the number of compliance requirements, and refocusing the single audit to accommodate a more risk-based approach. In addition, OMB is exploring how to strengthen audit resolution policies. Other ideas being discussed include reforms to the cost circulars including, among other things, ideas to consolidate the various cost circulars into a single document, the introduction of a flat rate option for indirect cost rate setting, and alternatives to time-and-effort reporting requirements for salaries and wages.

In the fall of 2011, President Obama created the Council on Financial Assistance Reform (COFAR) to establish a more streamlined and accountable structure for the coordination of federal financial assistance. NASACT, the National Association of State Budget Officers and the National Association of State Chief Information Officers, along with the other Big 7 organizations, sent a letter to the OMB supporting efforts to streamline and improve the grants process but questioning the omission of any state or local representation on the council; the letter urged that state and local governments be included in the dialog. In response, OMB established bi-weekly conference calls with state and local organizations to gather input on the work of the COFAR. Several NASACT members are participating on the calls, including Clark Partridge, state comptroller in Arizona; Kim Wallin, state controller of Nevada; Tom Salmon, state auditor of Vermont; David Martin, auditor general of Florida, and Gerry Boaz from the Tennessee Office of the Comptroller of the Treasury.

The federal register notice that seeks advanced comment on the intent to reform policies associated with the single audit and cost circulars was issued in February. Actual proposed changes are expected in an April/May federal register notice.

Specifically, the February notice is seeking comment on reforms in three areas: audit requirements, cost principles and administrative requirements:

Audit Requirements

• Raising the single audit threshold from $500,000 to $1 million.
• Establishing a more focused version of the single audit for entities that expend between $1 and $3 million. Test only two compliance requirements for major programs. One requirement will always be testing allowable costs, and the second requirement will be determined by the federal agency.
• Maintaining a full single audit for entities that expend over $3 million.
• Streamlining the universal compliance requirements for entities undergoing a full single audit.
• Strengthening follow-up by federal agencies by:
  1. Requiring agencies to designate a senior accountable official to oversee audit resolution.
  2. Requiring agencies to implement audit-risk metrics.
  3. Encouraging agencies to engage in cooperative audit resolution.
  4. Encouraging agencies to be more proactive in resolving weaknesses and deficiencies.
  5. Digitizing single audit reports.

Cost Principles

• Consolidating the various cost circulars into a single document.
• Introducing a mandatory or optional flat rate option for indirect cost rate setting.
• Exploring alternatives to time-and-effort reporting requirements for salaries and wages.
• Including the cost of certain computing devices as allowable direct cost supplies.
• Clarifying that budgeting for contingency funds with a federal award for things such as IT systems is an acceptable and necessary practice.
• Allowing for idle capacity in anticipation of usage increases in facilities such as consolidated data centers, telecommunications, and public safety facilities.
• Allowing costs for efforts to collect improper payment recoveries.

Administrative Requirements

• Consolidating administrative requirements in OMB circulars A-102 and A-110 into a uniform set of requirements.
• Requiring pre-award consideration of each proposal’s merit and each applicant’s financial risk.
• Requiring agencies to provide a 90-day notice of funding opportunities.
• Providing a standard format for announcements of funding opportunities.
• Reiterating that information collections are subject to Paperwork Reduction Act approval.

To view the notice of intent to reform policies, visit www.whitehouse.gov/sites/default/files/omb/financial/fr-notice-grant-reform-2012.pdf. OMB’s has extended the deadline to offer comments on the notice to April 30.

NASACT will be preparing an association response on the notice. Send your comments for inclusion in NASACT’s response letter to Kinney Poynter at kpoynter@nasact.org by April 13.
SEC Approves Proposed Rule Establishing a GASB Accounting Support Fee

On February 23, 2012, the U.S. Securities and Exchange Commission approved a rule whereby the Financial Industry Regulatory Authority, or FINRA, will collect a fee to support the Governmental Accounting Standards Board, as required by the Dodd-Frank Act on financial reform.

In letters sent to FINRA in August 2011 and January 2012, NASACT requested a clarification of the definition of “customers” in the proposed rule so that the fee could not be passed on to issuers. In approving the rule, the SEC did not provide further clarification of the definition of customers.

The SEC’s effective date for the rule change was February 23, 2012. It is anticipated that FINRA will assess the support fee to its members for activity in the first quarter 2012, and will make the first payment to support activities of the GASB to the Financial Accounting Foundation in April/May.

To view the final rule, visit www.sec.gov/rules/sro/fina/2012/34-66454.pdf. To view past letters from NASACT to the SEC and FINRA regarding the proposed GASB support fee, visit www.nasact.org/nasact/positions/congressional.cfm.

Questions about the new support fee may be directed to Kinney Poynter at kpoynter@nasact.org.

NASACT’s 2012 Washington Issues Survey Results Are In

By Neal Hutchko, Policy Analyst

The results are in! Forty-four offices from 32 states responded to the 2012 Washington Issues Survey. These responses are an invaluable asset to NASACT’s Washington office staff, as they help prioritize issues of importance to members and help shape the association’s efforts for the upcoming year. Thanks to all who were able to respond and submit comments.

Questions about the survey or requests for the complete survey results may be directed to Neal Hutchko, policy analyst, (202) 624-5451 or nhutchko@nasact.org.

Five Most Important Issues
(Rated on a scale of 1 to 5, with 5 being “very important.”)

1. Proposals to amend the Single Audit Act or A-133 (4.20)
2. Timely disclosure of financial reports (4.19)
3. Medicaid and its impact on state budgets (4.17)
4. Public sector pension plans/defined benefit plans for public employees (4.14)
5. Public sector pension plans/disclosure (4.11)

Five Least Important Issues

1. International convergence of accounting standards with the Financial Accounting Standards Board (2.88)
2. Divestment initiatives (2.95)
3. Federal intervention/bankruptcy for states (3.00)
4. Fringe benefit and payroll issues (3.25)
5. Regulations resulting from Dodd-Frank (floating NAV, derivatives, etc.) (3.26)

Quotes from the Survey

Explain any issues you are having with federal agencies.

Many offices indicated that Treasury offsets continue to be an issue, especially the issue of not being provided with an explanation of what was being offset. Another topic that emerged was the federal government’s lack of flexibility on certain audit issues. Some specific comments from the survey are:

• Regarding the Department of Education’s stance on citing agencies that are recipients of Student Financial Assistance for not meeting their single audit deadlines: the proposed penalties seem unnecessarily punitive at a time when these agencies are least able to afford them.
• Lack of federal inspector general communication with state auditor offices when the IGs are auditing Recovery Act programs. Also, we are denied access to information at the federal agencies; however, they always want access to our data.
• The Financial Management Service continues to offset payments to the state without providing sufficient information regarding the purpose of the offset.

What is the best thing in financial management going on in your state today?

This question gives respondents a chance to highlight some of the good news that is taking place across the nation. Some positive developments noted include:

• Hiring of a chief information officer and plans to replace statewide legacy payroll and accounting systems.
• Elected officials are finally beginning to think/plan longer-term. The whole sustainability of government services is a huge issue at the federal and state levels.
• Implementing new banking technology into agencies to make operations more efficient (e.g., remote deposit capture, card-based payables, one-card for benefit payments).
• A closer working relationship with our Budget Office to manage state revenues and expenditures throughout the year and enabling a timelier fiscal year end closing process.
• Received numerous accolades for our “Open Door” transparency website.

(continued, next page)
Association Notes

Next NASACT Webinar: “Clarifying the Clarity Standards: Group Audits”

NASACT, in conjunction with the Association of Government Accountants and the Association of Local Government Auditors, will host its next webinar, “Clarifying the Clarity Standards: Group Audits,” on Wednesday, May 2.

The purpose of this webinar is to help state auditors understand the new requirements and guidance for group audits contained in the highly anticipated Statement on Auditing Standards No. 122, Statements on Auditing Standards: Clarification and Recodification. This standard changes the focus in audits that involve the work of another auditor from “the coverage by each auditor” to “the extent of the involvement of the group engagement partner” (formerly referred to as the “principal auditor”).

Throughout the webinar, specific application to government auditors will be provided. Additionally, the webinar will offer:

- An overview on planning, testing and reporting considerations for group audits, both as a group auditor and a component auditor.
- A determination as to whether an audit is a group audit.
- A discussion on the appropriate application of auditing and reporting guidance relative to governmental opinion units and multi-location audits.

Join Randy C. Roberts, professional practice director for the Arizona Office of the Auditor General, and Jeff Markert, partner, Department of Professional Practice, KPMG, for this informative two-hour training session.

Registration for the webinar is now available on NASACT’s website at www.nasact.org.

The May 2 webinar is the second of a two-part series addressing the American Institute of Certified Public Accountants’ Clarity Standards Project. The first webinar was held on February 29; a digital download of the first webinar is available through NASACT’s bookstore at www.nasact.org/bookstore/index.cfm.

Washington Issues Survey (cont.)

Are there any Congressional or regulatory issues of significance the Washington office can address to better serve the members?

- We need a campaign to reduce and eliminate excess regulation and unfunded mandates on the state and local governments and to promote block grants to states for programs (and thus eliminating the federal government complexity).
- Any initiative to speed up single audit reporting.
- A budget proposal limiting the extent to which taxpayers can benefit from the municipal bond income tax exemption (impact will be an increase in the cost of borrowing for states and local governments).
- The blanket policy not allowing SEFA extensions is a mistake on the federal government’s behalf. Valid issues will develop that prevent the timely submission of these reports!

Are there things NASACT can do to better serve the members?

Comments received on this question mainly reflected concerns of Congressional over-reach into state government affairs:

- Keep us apprised of movement in DC regarding the Data Act or other legislation that might affect state reporting and oversight.
- It is very important that Congress not intervene on the state bankruptcy issue.
- Research on shared services and/or cost of government services and benchmarking.

Several NASACT members have official Facebook pages for their offices. NASACT is considering one as well. Would Facebook be a helpful information dissemination initiative?

Ironically, this question resulted in the most feedback of all five open dialogue questions. There was some concern that a Facebook page would be blocked or restricted. But several respondents noted that a NASACT Facebook page would “meet the information needs of younger constituents accustomed to using social media” in addition to being “…a convenient place to find information.”

A NASACT Facebook page would not replace any current information dissemination methods, but would simply enhance NASACT communication efforts. We will continue to explore this matter, considering the feedback received in this survey.
New at www.nasact.org


- NASC technical inquiries on the following topics at www.nasact.org/nasc/technical/index.cfm (members only content):
  - State Oversight of Contracts
  - Risk Assessment
  - Single Audits of Non-Profits

- New Performance Audit Checklists in NSAA’s *Peer Review Manual*, which have been updated for the 2011 revision of Government Auditing Standards, at www.nasact.org/nsaa/peerreview/PeerReviewManual.cfm (members only content).

Check Out NASACT’s Careers Page at www.nasact.org

Member offices may post job opportunities on NASACT’s Careers page at www.nasact.org/nasact/careers/index.cfm. In addition to job postings from member offices, the page has links to career opportunities with the U.S. Government Accountability Office and the U.S. Office of Management and Budget.

Several Meetings to be Held in March in Oklahoma City

The annual conference of the National Association of State Comptrollers will be held March 21-23 in Oklahoma City, Oklahoma. The following meetings will be held on March 20, in conjunction with that conference:

- NASACT Executive Committee (8:00 a.m. - 12:00 noon Central time)
- NASC Committee on Accounting and Financial Reporting (CAFR) (3:00 p.m. Central time)
- NASC Executive Committee (4:00 p.m. Central time)

Questions about these meetings may be directed to NASACT’s headquarters office at (859) 276-1147.

The April issue of *NASACT News* will include a complete recap of the conference and these meetings.

NASC to Host Delegation from Mexico at Comptroller’s Conference

A seven-member delegation from the Mexico Comptrollers Permanent Commission (CPC) will be in attendance at the upcoming NASC annual conference. This will be the first of what could become a regular exchange between state comptrollers in the United States and Mexico. The program is being aided in part by the U.S.–Mexico State Alliance Partnership in an effort to strengthen cooperation and exchanges of information/best practices among officials and institutions from the two countries.

Mark Your Calendar: Upcoming Information Sharing Calls

On May 9, the NASC State Government Payroll call will last from 1:00-4:00 p.m. Eastern time. The call will include presentations from states, a roundtable session, and a discussion with staff from the IRS.

On May 16, the NASC Travel and Purchase Card call will last from 1:00-4:00 p.m. Eastern time. The call will include a presentation from a state, a roundtable session, and presentations from Visa and MasterCard.

**April**

- NASC Internal Controls Information Sharing – April 12
- NSAA Human Resources Information Sharing – April 25

**May**

- NASACT Committee on Accounting, Reporting and Auditing (CARA) – May 1
- NASC Payroll Information Sharing – May 9
- NSAA Performance Audit Information Sharing – May 10
- NASC Travel and P-Card Information Sharing – May 16
2012 NASACT Member Satisfaction Survey: Results Are In!

To inform the strategic planning process, NASACT conducts a yearly membership satisfaction survey each January. Sixty-five members responded to the 2012 survey (35 audit offices, 23 comptroller offices and five treasurer offices). Responses were submitted by 38 state principals and 27 deputy-level staff. The responses were quite positive, with a total of 97 percent of respondents indicating that they are satisfied with their membership in NASACT (three percent marked “not sure”).

Of note, survey responses for several questions about NASC programs and activities were lower than usual. Staff believes this is the result of a high percentage of turnover among state comptrollers in 2011 (17 of 59 member offices, or 29 percent) and their unfamiliarity with the association and its offerings.

Questions about the 2012 NASACT member satisfaction survey or requests for the complete results may be directed to Glenda Johnson at gjohnson@nasact.org.

---

### 2012 NASACT Membership Satisfaction Survey: Summary of Results

<table>
<thead>
<tr>
<th>Survey Category</th>
<th>NASACT</th>
<th>NSAA</th>
<th>NASC</th>
<th>NSACT Annual</th>
<th>NSAA Annual</th>
<th>NASC Annual</th>
<th>Middle Management</th>
<th>NSAA IT</th>
<th>Webinars</th>
</tr>
</thead>
<tbody>
<tr>
<td>NASACT's conferences and training events enable me to better address professional challenges and issues within my state.</td>
<td>Strongly Agree</td>
<td>52%</td>
<td>44%</td>
<td>4%</td>
<td>0%</td>
<td>48%</td>
<td>42%</td>
<td>10%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Agree</td>
<td>39%</td>
<td>33%</td>
<td>2%</td>
<td>0%</td>
<td>58%</td>
<td>54%</td>
<td>47%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Not Sure</td>
<td>8%</td>
<td>13%</td>
<td>0%</td>
<td>11%</td>
<td>3%</td>
<td>13%</td>
<td>21%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Disagree</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>NASC's conferences and training events are a good value (i.e., regarding the amount of CPE available as compared to cost).</td>
<td>Strongly Agree</td>
<td>55%</td>
<td>48%</td>
<td>8%</td>
<td>0%</td>
<td>52%</td>
<td>48%</td>
<td>12%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Agree</td>
<td>47%</td>
<td>35%</td>
<td>13%</td>
<td>0%</td>
<td>45%</td>
<td>33%</td>
<td>21%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Not Sure</td>
<td>8%</td>
<td>13%</td>
<td>0%</td>
<td>11%</td>
<td>3%</td>
<td>13%</td>
<td>21%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Disagree</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Through its newsletters, updates and emails, NASACT helps keep me informed about industry developments and emerging issues.</td>
<td>Strongly Agree</td>
<td>72%</td>
<td>66%</td>
<td>2%</td>
<td>0%</td>
<td>69%</td>
<td>63%</td>
<td>2%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Agree</td>
<td>70%</td>
<td>63%</td>
<td>3%</td>
<td>0%</td>
<td>68%</td>
<td>62%</td>
<td>3%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Not Sure</td>
<td>7%</td>
<td>11%</td>
<td>0%</td>
<td>9%</td>
<td>7%</td>
<td>11%</td>
<td>9%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Disagree</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Participation in committees is valuable.</td>
<td>Strongly Agree</td>
<td>44%</td>
<td>48%</td>
<td>8%</td>
<td>0%</td>
<td>45%</td>
<td>47%</td>
<td>8%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Agree</td>
<td>47%</td>
<td>42%</td>
<td>13%</td>
<td>0%</td>
<td>45%</td>
<td>42%</td>
<td>13%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Not Sure</td>
<td>8%</td>
<td>13%</td>
<td>0%</td>
<td>11%</td>
<td>3%</td>
<td>13%</td>
<td>21%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Disagree</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Participation in information sharing groups is valuable.</td>
<td>Strongly Agree</td>
<td>65%</td>
<td>60%</td>
<td>5%</td>
<td>0%</td>
<td>60%</td>
<td>55%</td>
<td>5%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Agree</td>
<td>58%</td>
<td>53%</td>
<td>10%</td>
<td>0%</td>
<td>53%</td>
<td>48%</td>
<td>10%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Not Sure</td>
<td>7%</td>
<td>11%</td>
<td>0%</td>
<td>9%</td>
<td>7%</td>
<td>11%</td>
<td>9%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Disagree</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Participation in the technical inquiry network/information services network is valuable.</td>
<td>Strongly Agree</td>
<td>55%</td>
<td>50%</td>
<td>10%</td>
<td>0%</td>
<td>50%</td>
<td>45%</td>
<td>10%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Agree</td>
<td>47%</td>
<td>42%</td>
<td>13%</td>
<td>0%</td>
<td>45%</td>
<td>40%</td>
<td>13%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Not Sure</td>
<td>8%</td>
<td>13%</td>
<td>0%</td>
<td>11%</td>
<td>3%</td>
<td>13%</td>
<td>21%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Disagree</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>NASACT's involvement in legislative/regulatory processes protects the interests of my state.</td>
<td>Strongly Agree</td>
<td>55%</td>
<td>45%</td>
<td>10%</td>
<td>0%</td>
<td>50%</td>
<td>35%</td>
<td>15%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Agree</td>
<td>35%</td>
<td>30%</td>
<td>15%</td>
<td>0%</td>
<td>25%</td>
<td>20%</td>
<td>15%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Not Sure</td>
<td>15%</td>
<td>15%</td>
<td>5%</td>
<td>0%</td>
<td>10%</td>
<td>10%</td>
<td>5%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Disagree</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>NASACT's involvement in the standards-setting process protects the interests of my state.</td>
<td>Strongly Agree</td>
<td>55%</td>
<td>50%</td>
<td>10%</td>
<td>0%</td>
<td>50%</td>
<td>45%</td>
<td>10%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Agree</td>
<td>35%</td>
<td>30%</td>
<td>15%</td>
<td>0%</td>
<td>25%</td>
<td>20%</td>
<td>15%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Not Sure</td>
<td>15%</td>
<td>15%</td>
<td>5%</td>
<td>0%</td>
<td>10%</td>
<td>10%</td>
<td>5%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Disagree</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>I understand NASACT's mission.</td>
<td>Strongly Agree</td>
<td>42%</td>
<td>40%</td>
<td>8%</td>
<td>0%</td>
<td>35%</td>
<td>30%</td>
<td>5%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Agree</td>
<td>55%</td>
<td>50%</td>
<td>10%</td>
<td>0%</td>
<td>45%</td>
<td>40%</td>
<td>10%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Not Sure</td>
<td>4%</td>
<td>3%</td>
<td>0%</td>
<td>1%</td>
<td>5%</td>
<td>4%</td>
<td>1%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Disagree</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>I am aware of services available through the association.</td>
<td>Strongly Agree</td>
<td>81%</td>
<td>75%</td>
<td>5%</td>
<td>0%</td>
<td>70%</td>
<td>65%</td>
<td>5%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Agree</td>
<td>36%</td>
<td>30%</td>
<td>10%</td>
<td>0%</td>
<td>25%</td>
<td>20%</td>
<td>10%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Not Sure</td>
<td>3%</td>
<td>3%</td>
<td>0%</td>
<td>1%</td>
<td>5%</td>
<td>4%</td>
<td>1%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Disagree</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>I am satisfied with my office's membership in NASACT.</td>
<td>Strongly Agree</td>
<td>81%</td>
<td>75%</td>
<td>5%</td>
<td>0%</td>
<td>70%</td>
<td>65%</td>
<td>5%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Agree</td>
<td>36%</td>
<td>30%</td>
<td>10%</td>
<td>0%</td>
<td>25%</td>
<td>20%</td>
<td>10%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Not Sure</td>
<td>3%</td>
<td>3%</td>
<td>0%</td>
<td>1%</td>
<td>5%</td>
<td>4%</td>
<td>1%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Disagree</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>
NASACT2012 Annual Conference: Plan to Attend!

Join NASACT President Ron Jones and our Washington State hosts for the 2012 NASACT Annual Conference in Seattle, Washington, this August 11-15. The NASACT Training and Professional Development Committee is currently working to develop the technical program for the conference.

Conference Hotel – Grand Hyatt Seattle
The Grand Hyatt Seattle is conveniently located in the heart of downtown Seattle – a short walk from the city’s most distinguished boutiques, restaurants, museums and steps away from the Seattle Space Needle, Seattle Waterfront and Pikes Place Market. This year’s conference rate is $169/night plus applicable tax. To reserve your room, call (206) 774-6300 and ask for the NASACT Annual Conference rate. The cut-off date to receive this rate is July 9.

Don’t Forget the Travel Assistance Program!
NASACT principals (or their designees) are eligible to receive $1,000 in travel assistance to attend the annual conference. The funds may be used to cover registration or travel costs. Additionally, all new NASACT principals will be offered complimentary registration to attend.

Conference
The host state is planning a number of special events for conference participants, including a dinner cruise on Elliott Bay. A guest program will also be offered. More information about the conference will be available soon at www.nasact.org/conferences_training/events.cfm.

It’s Not Too Late to Register for Middle Management!

April 16-18  ■  Little Rock, Arkansas

The 2012 NASACT Middle Management Conference is scheduled for April 16-18, in Little Rock, Arkansas. This conference is tailored to address the training needs of middle management staff in the offices of state auditors and state comptrollers. The conference features an excellent agenda, which can be found at www.nasact.org/conferences_training/events.cfm. Notable topics include audit and accounting standards updates (GASB, yellow book, and AICPA), generational issues in the workplace, performance measurement, e-learning on a shoestring budget, fiscal outlook of the states, effective writing, fraud, leadership, and several roundtable sessions.

More Information
The conference will be held at The Peabody Hotel. To book your room, call the Peabody Hotel at (800) 732-2639. Questions regarding the 2012 NASACT Middle Management Conference may be addressed to Donna Maloy at dmaloy@nasact.org or (859) 276-1147. Questions about the technical program may be directed to Sherri Rowland (srowland@nasact.org) or Kim O’Ryan (koryan@nasact.org). Visit www.nasact.org to register today!
Recent Board Activity

The GASB met in January and March and held teleconference meetings in February and March to discuss current agenda projects. Details of March deliberations will be discussed in the next GASB Update.

Pension Accounting and Financial Reporting

In its project addressing pension accounting and financial reporting, the Board continued its deliberation of issues raised by respondents to the June 2011 exposure drafts Accounting and Financial Reporting for Pensions (Employer Exposure Draft) and Financial Reporting for Pension Plans (Plan Exposure Draft). Specifically, the Board considered issues related to the overall financial reporting focus and nature of the employment exchange, general cost concerns, and comments and other feedback about proposed measurement and recognition of the net pension liability by single and agent employers, including the projection of benefit payments, the discount rate calculation, and the attribution method.

The Board discussed issues related to the proposed “shift” away from the current financial reporting focus on the funding of pension benefits and the potential displacement of information about or from the measurement perspective of pension funding. The Board tentatively affirmed its view that information included in employer’s financial reports should reflect the financial affects of the broad range of transactions and other events that impact the employer’s obligation to provide pensions—not only those associated with funding the benefits. The Board also considered recommendations by respondents to the exposure drafts related to incorporating pension funding information in employer financial reports.

With regard to respondent suggestions that the final statements be modified to require (1) additional, funding-oriented measures such as funded status and (2) measures of actuarially calculated employer contributions by employers regardless of whether such measures are produced for funding purposes, the Board tentatively agreed to consider, subsequent to issuance of final statements, a potential follow-up project to evaluate whether such information should be required.

The Board tentatively affirmed its view that the net pension liability (the portion of the obligation to employees for defined pension benefits in excess of the plan net position available for payment of those benefits) meets the definition of a liability as defined by Concepts Statement 4. In addition, it discussed issues raised with regard to accounting and financial reporting requirements for an employer’s secondary responsibility for payment of benefits should earnings on plan investments not be sufficient. The Board tentatively agreed that the employer’s secondary responsibility is akin to a financial guarantee and that, as such, it generally would not meet the definition of a liability of the employer. It tentatively agreed to consider a potential note disclosure about the employer’s secondary responsibility for payment of pension benefits should earnings on plan investments not be sufficient.
The Board tentatively affirmed its view that the pension liability to employees for defined benefits is a single, integrated item comprising two components—the total pension liability and plan net position—and it affirmed the Employer Exposure Draft proposals for net presentation of the liability.

Turning to measurement and recognition issues, the Board tentatively affirmed its view that the measurement and recognition requirements for accounting and financial reporting of pensions should reflect (1) the longevity of governments and of pension plans and (2) a view of the interrelationship of individual periods of the employment exchange transaction that result in the employer’s pension obligation.

In addition, the Board considered comments and testimony received on the exposure drafts’ proposals in the following areas.

- **Selection of assumptions.** The Board tentatively affirmed the exposure drafts’ proposals that assumptions for accounting purposes be selected in accordance with Actuarial Standards of Practice, unless otherwise addressed by the GASB.

- **Certain assumptions used in the projection of benefit payments.** The Board tentatively affirmed the exposure drafts’ proposals that the projection of pension benefit payments include assumptions regarding the projected effects of (1) future salary changes, (2) future service credits, (3) automatic cost-of-living adjustments (COLAs) and other automatic postemployment benefit changes, and (4) ad hoc COLAs and other ad hoc postemployment benefit changes only to the extent that such changes are considered to be substantively automatic.

- **Discount rate.** The Board reaffirmed its position that the discount rate should be a single rate that produces a present value of total projected benefit payments equivalent to that obtained by discounting projected benefit payments using (1) the long-term expected rate of return on plan investments to the extent that current and expected future plan net position available for pension benefits are projected to be sufficient to make benefit payments and to continue investing and (2) a high-quality municipal bond index rate for those payments that are projected to be made beyond that point.

- **Long-term expected rate of return.** The Board discussed whether to establish more detailed requirements than those proposed in the exposure drafts related to the selection of the rate and tentatively decided that no modification should be made to the final statements. However, the Board noted that detailed disclosures related to the expected rate of return will provide additional transparency to this assumption.

- **High-quality municipal bond index rate.** The Board tentatively affirmed its view that a municipal bond index rate should be used in the determination of the discount rate when discounting benefit payments that are projected to occur in periods in which plan net position, as projected according to the exposure draft proposal, would not be sufficient to make benefit payments and to continue investing using the investment strategy selected for the long term. Based on the public availability of rate information, the Board tentatively agreed to modify the exposure draft provisions (which would have required the use of a 30-year index rate for this purpose) to instead require that the rate represent a yield or index rate for bonds with a maturity of 20 years. The Board also tentatively agreed that the municipal bond index rate should not be capped at the long-term expected rate of return on plan investments. In addition, it tentatively was agreed that the discount rate proposals should not be modified to exempt (1) an agent employer from establishing a discount rate specific to its individual plan administered by the agent multiple-employer plan or (2) newly created plans.

- **Projecting contributions for the purposes of determining the discount rate.** The Board tentatively agreed to modify the exposure drafts’ proposals to include the following:

  1. In circumstances in which either (1) contributions are subject to statutory or contractual requirements or (2) a formal, written policy related to employer contributions exists, professional judgment should be applied to project future employer contributions. Application of such judgment should consider the employer’s most recent five-year contribution history as a key indicator of future contributions and should reflect all other known events and conditions. In the event that no statutory or legal contribution requirement or formal, written contribution policy exists, projected contributions should be limited to an average rate of contributions over the most recent five-year period, potentially modified based upon the consideration of subsequent events.

  2. The Board also considered respondents’ suggestions to establish a set of criteria relative to employer contribution policy and practice that would serve as a “safe harbor” that would expressly exempt an employer from projecting cash flows for purposes of determining the discount rate and would allow the employer to use the long-term expected rate of return as the discount rate. It tentatively decided that the final statements should not be modified to include such criteria. However, the Board tentatively agreed to modify the language in the exposure draft to indicate the possibility that the sufficiency of projected plan net position to pay projected pension benefits might be determined through other methods. When a method can reliably demonstrate the sufficiency of projected plan net position, only the long-term expected rate of return should be employed.

  3. The Board also tentatively agreed to clarify that for purposes of projecting future employer and employee contributions to determine the discount rate, projected contributions should be considered to offset, first, the service costs of the employees in the period and, second, service costs of earlier periods.

- **Attribution method.** The Board tentatively affirmed its view that a single method—the entry age actuarial cost method applied with service cost determined as a level percentage of pay—should be required for accounting purposes.
• **Measurement of plan net position.** The Board tentatively affirmed its view that the plan net position component of the employer’s net pension liability should be measured in the same way that it is measured in the pension plan’s statement of plan net position.

• **Recognition of the net pension liability by a single or agent employer.** The Board tentatively affirmed its view that the net pension liability of a single or agent employer is measurable with sufficient reliability to be recognized in the employer’s financial statements.

At the February teleconference, the Board considered issues related to employers’ liabilities to a defined benefit pension plan. It also considered issues concerning the recognition of all pension-related liabilities and expenditures in financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting.

With respect to liabilities to a defined benefit pension plan, the Board considered a project-staff recommendation to clarify that an employer would recognize pension expense for the incurrence of such a liability only to the extent that there is a net effect on the employer’s net position that results from (1) incurrence of a liability to defined benefit pension plans for employer contributions and (2) a change in the employer’s recognized net pension liability associated with the transaction. The Board tentatively agreed that the final statement should carry forward the proposals in the Employer Exposure Draft regarding employers’ liabilities to a defined benefit pension plan, with the clarification recommendation by the project staff.

Regarding modified accrual recognition, the Board tentatively agreed that the final statement should clarify that net pension liabilities are normally expected to be liquidated with expendable available resources to the extent that pension benefits have matured.

---

### Financial Guarantees

In its project on financial guarantees, the Board continued to discuss recognition and measurement issues of governments that in the context of a nonexchange transaction (1) issue obligations that have been guaranteed by another entity or (2) hold obligations that have been guaranteed by an entity other than the issuer of the obligation.

The Board discussed recognition and measurement issues of governments that have issued obligations that have been guaranteed by another entity as a result of a nonexchange transaction. The Board tentatively decided to propose that a government that issues an obligation that is guaranteed as a result of a nonexchange transaction recognize a reduction in its liability for the obligation when a guarantor makes an indemnification payment or legally assumes all or a portion of the obligation from the issuing government. The amount recognized should be measured as the amount of the indemnification payment made or the amount of the obligation assumed by the guarantor.

The Board also considered the requirement of a government issuing a guaranteed obligation to repay a guarantor for an indemnification payment made on behalf of the issuer government. The Board tentatively decided to propose that when an issuer government is required to repay a guarantor for an indemnification payment made, the issuer government reclassify its liability as being due to the guarantor or, when the guarantor purchased the obligation from the obligation holder, continue to report the obligation as a liability until legally released as an obligor.

---

The “GASB Update” is provided on a bi-monthly basis for publication in the NASACT News from staff from the Governmental Accounting Standards Board.

---

**FAF Seeks Survey Participants for Post-Implementation Review of GASB Standards**

The Financial Accounting Foundation is seeking interested stakeholders to participate in post-implementation review (PIR) surveys of standards from the Governmental Accounting Standards Board. The surveys will help the FAF evaluate the effectiveness of accounting standards by hearing from those who are affected by them.

Stakeholders who would like the opportunity to participate in PIR surveys conducted by an independent survey firm on behalf of the FAF should register online.

The post-implementation review process is intended to assist the FAF’s Board of Trustees with its ongoing efforts to evaluate the effectiveness of the standard-setting process for both GASB and the Financial Accounting Standards Board.

For the first GASB post-implementation review, the FAF has selected the following GASB standards for review:

- GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*,
- GASB Statement No. 40, *Deposit and Investment Risk Disclosures*

Both statements require disclosures about deposits and investments, including related credit risks. GASB Statement 3 also provides accounting guidance for repurchase and reverse repurchase agreements.

The PIR process is designed to be independent of the standard-setting processes of GASB and FASB. The FAF review staff reports to the Board of Trustees and the FAF president, but members are drawn from experienced GASB and FASB staff to promote a collaborative review process aimed at improving the standard-setting process.

More information on the FAF’s post-implementation review process, including the link to register online to participate in the review, can be found on the FAF’s website at www.accountingfoundation.org/home.
2012 Calendar of Events
Register for these events at www.nasact.org.

March 21-23  ■  NASC Annual Conference, Oklahoma City, OK
April 16-18  ■  NASACT 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 2  ■  Webinar – Clarifying the Clarity Standards Part 2: Group Audits
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
July 18  ■  Webinar – GASB Review: 2012
August 11-15  ■  NASACT Annual Conference, Seattle, WA
September 25-28  ■  NSAA IT Workshop & Conference, Nashville, TN

2012 NSAA Annual Conference
June 13-15  ■  Madison, Wisconsin

By Donna Maloy, Conference Manager

Iowa Auditor of State and National State Auditors Association President David Vaudt invites you to attend the 2012 NSAA Annual Conference to be held in Madison, Wisconsin, June 13-15. The conference will be preceded on June 12 by a full day of meetings by NSAA’s committees.

The Program

The program committee has been working to develop a program that includes topics such as seven common mistakes leaders make, an audit standards update, the fiscal outlook for the states, leading generation Y, how to increase audit impact, pension issues, an emerging issues roundtable, and much more.

The Conference Hotel

The conference will be held at The Madison Concourse Hotel, which is conveniently located in downtown Madison and within walking distance of the state capitol, restaurants, shops and night life. The negotiated room rate is $88/single or double plus applicable taxes. To book your room, contact the hotel by calling (800) 356-8293 and indicating that you are with the National State Auditors Association. To get this special rate, you must call before the cut-off date of May 14, 2012. After this date, rooms will be offered only on a space and rate available basis.

Travel Assistance

To help state auditors attend the conference, NASACT is offering up to $750 of travel assistance to each member or new state auditor. Additional assistance may be available for new state auditors from NSAA. For more information on assistance opportunities, email Sherri Rowland at srowland@nasact.org.

More Information

Visit www.nasact.org for registration and complete hotel information. A draft agenda will be posted soon. Questions about the program may be addressed to Sherri Rowland at srowland@nasact.org. All other questions may be addressed to Donna Maloy at dmaloy@nasact.org. Make plans now to attend!