A comment I often hear, and I must admit, I often make, is: *When you are a kid each day seems to last an eternity; however, as we get older, that all changes and each year seems to last only a few days.* That is definitely true about my year as NSAA president.

While the year has flown by, NSAA has been very active in addressing many challenging issues. One of the most significant issues has been the potential changes to the single audit. Over the past few years, various work groups—work groups which included NSAA representation—helped to develop recommendations for improving the single audit. This year, several state auditors have been representing NSAA in regular conference calls with the U.S. Office of Management and Budget to discuss the changes being considered as a result of those work groups. David Martin, auditor general of Florida and chair of NSAA’s Single Audit Committee, has been instrumental in leading these conversations with OMB. These discussions will continue, and I urge each of you to participate and follow OMB’s deliberations. This work could clearly result in the most significant changes in the life of the Single Audit Act.

The Governmental Accounting Standards Board’s preliminary views document entitled “Economic Condition Reporting: Financial Projections” is another very important issue addressed by NSAA. Through the Audit Standards and Reporting Committee, chaired by Auston Johnson, state auditor of Utah, NSAA provided input on NASACT’s statement of opposition to the GASB PV. The NASACT letter stated: “We **strongly disagree** that such information should be included (even as required supplementary information) in a government’s general purpose external financial reporting.” The NASACT response also emphasized “…we believe such information falls well outside the realm of government accounting and financial reporting, and thus outside the GASB’s purview and jurisdiction.” The letter concluded, “We strongly believe that the Board should discontinue this project.” All state auditors should be diligent in following the GASB’s next steps regarding this PV document, which would require financial projections within states’ external financial reports—this would have far-reaching repercussions.

One final important issue to mention was the release of the 2011 revision to the Yellow Book. The 2011 revision has required a major overhaul of the Peer Review Manual. The Peer Review Committee, chaired by Elaine Howle, state auditor of California, has been focused on this enormous task. Special thanks go to Sherri Rowland and the entire Peer Review Committee for their tremendous work on this project.

All the NSAA committees have been very busy this past year. I want to thank everyone for their participation. NSAA could not accomplish what it does without the principals and the staff who share their expertise and time.

This past year has brought several changes to our NSAA membership. We say thank you and best wishes to those who have left public service as auditors: Jan Mueller, Wisconsin – retired; Pat Davidson, Alaska – retired; Crit Luallen, Kentucky; Michael Geesey, Wyoming – retired; Don Berg, Idaho – retired;

(continued, next page)
and Deborah Nichols, D.C. We also welcome and look forward to working with our new members: Joe Chrisman, Wisconsin; Kris Curtis, Alaska; Adam Edelen, Kentucky; Perry Simpson, South Carolina; Jeffrey Vogel, Wyoming; April Renfro, Idaho; and Yolanda Branche, D.C.

I want to thank Kinney Poynter and Sherri Rowland for their assistance this past year. We are so fortunate to have them leading NASACT’s and NSAA’s daily operations. A special thank you also to my excellent NSAA Executive Committee—Elaine Howle, California; Rebecca Otto, Minnesota; Walt Kucharski, Virginia; Tom Salmon, Vermont; Roger Norman, Arkansas, and David Martin, Florida.

We are such a strong organization because of the collective strength of our members. In the words of Vince Lombardi, “The achievements of an organization are the results of the combined effort of each individual.” Thank you for allowing me the opportunity to work with such a talented group.

**NSAA Committee Meeting Schedule:** The following NSAA committees will meet on Tuesday, June 12, in conjunction with the 2012 NSAA Annual Conference in Madison, Wisconsin. All NSAA members are invited to attend these committee meetings. Conference call-in capability will also be offered. Those wishing to participate by conference call may join the meetings by dialing (512) 225-3050 (guest code 67981#). Meeting packets will be emailed to all committee participants prior to June 14. All meetings are listed in Central Daylight Time.

<table>
<thead>
<tr>
<th>Time</th>
<th>Committee</th>
<th>Presiding</th>
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<tbody>
<tr>
<td>8:30 – 9:30 a.m.</td>
<td>Human Resources</td>
<td>Rebecca Otto (MN), Chair</td>
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<tr>
<td>9:30 – 10:30 a.m.</td>
<td>Auditor Training</td>
<td>Glen Fowler (CA), Chair</td>
</tr>
<tr>
<td>10:30 – 11:30 a.m.</td>
<td>Peer Review</td>
<td>Elaine Howle (CA), Chair</td>
</tr>
<tr>
<td>11:30 a.m. – 12:30 p.m.</td>
<td>E-Government</td>
<td>Karen Helderman (VA), Chair</td>
</tr>
<tr>
<td>1:30 – 2:30 p.m.</td>
<td>Performance Audit</td>
<td>Steve Eells (NJ), Chair</td>
</tr>
<tr>
<td>2:30 – 3:30 p.m.</td>
<td>Audit Standards and Reporting</td>
<td>Auston Johnson (UT), Chair</td>
</tr>
<tr>
<td>3:30 – 4:30 p.m.</td>
<td>Single Audit</td>
<td>David Martin (FL), Chair</td>
</tr>
<tr>
<td>4:30 – 5:30 p.m.</td>
<td>NSAA Executive Committee</td>
<td>David Vaudt (IA), President</td>
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**It’s Not Too Late to Register!**

**2012 NSAA Annual Conference**  
June 13-15 ■ Madison, Wisconsin  
The Concourse Hotel

**Travel Assistance**  
NASACT members in good standing (or any new state auditor) are eligible to receive up to $750 in travel assistance to attend the 2012 NSAA Annual Conference. The travel assistance may be used by the state auditor or a designee. The assistance will be provided as a reimbursement following the conference. The travel assistance form is available at www.nasact.org/conferences_training/nsaa/conferences/AnnualConferences/2012AnnualConference/2012AnnualConference.cfm.

**Registration and More Information**  
Visit www.nasact.org to register and find additional details! Questions may be directed to Sherri Rowland at srowland@nasact.org or (859) 276-1147.
DATA Act Passes House, Senate Action Uncertain

The U.S. House of Representatives passed the Digital Accountability and Transparency Act (DATA Act) with little fanfare on April 25. The DATA Act essentially continues reporting similar to that of the Recovery Act, only for all grants and contracts. The legislation as passed also includes additional language to place limits on federal agency travel and conferences (as described in the next article).

In sum, the DATA Act requires Recovery Act-like reporting on all federal awards (grants, contracts, loans, awards, cooperative agreements) including the reporting of expenditure data (no less frequently than quarterly). The requirement includes all sub-grants and contracts (all tiers). The legislation also creates a five-member commission to be appointed by the President with the advice and consent of the Senate. The commission will essentially continue the work of the current Recovery Accountability and Transparency Board, including the development of data standards for recipient and federal agency reporting.

While the legislation as passed includes a number of positive changes to the original text, including pre-population requirements and consolidation of reporting (so that states and other recipients are not double reporting), such massive reporting and oversight would be an enormous undertaking for state and local governments, particularly without any additional funding. Many comptroller offices and state accounting systems would likely be involved, and there will likely be additional audit capacity needed. Reconciliation and data quality also remain a concern, as the information will be publicly available on a centralized website, similar to the site created for the Recovery Act.

While the House tried to accommodate many changes suggested by stakeholder groups, a funding provision was not included, nor was the notion of a phased implementation. NASACT and other state and local organizations are currently working with Senate staff on amendments to the Senate’s version. Recent meetings with Senate staff indicate that a scaled down version of the DATA Act will be re-introduced soon, including some of the key components of the earlier version such as standardized reporting and data elements that were the crux of the original legislation.

Although the quest for more accountability and transparency in federal spending continues to garner support in Washington, the fate of the DATA Act in the Senate is uncertain.

NASACT will keep members apprised as the legislation makes its way through the legislative process.

GSA Scandal Prompts Congressional Action, Furthers New Policies on Federal Travel

Newsworthy travel perks at a General Services Administration conference in Las Vegas have spurred a series of actions to make travel by federal employees more transparent. As part of the Digital Accountability and Transparency Act, the House included language that would require agencies to cut their conference spending budgets by 20 percent of FY 2010 amounts and limit spending on a single conference to $500,000. The U.S. Office of Management and Budget also issued a memorandum setting and clarifying policy for federal travel and conferences.

In keeping with the transparency aspect of the DATA Act, the added provisions would require agency officials to reveal the following for conferences: the date, the total cost of attendance and support, and the primary sponsor. In addition, officials would need to justify the conference location (including why the event may be more beneficial than a teleconference), reveal the costs for selecting the location, and provide a listing of the employees and other individuals that the agency paid to attend.

Some groups are concerned about the inclusion of this language, which could limit federal employee attendance at meetings and conferences held by associations, non-profits and other private sector organizations. The language states that “No agency may expend funds on more than a single conference sponsored or organized by an organization during any fiscal year, unless the agency is the primary sponsor and organizer of the conference.” Organizations are concerned that the language could be construed to mean that federal agency employees may only attend one meeting held by an organization every year.

The same language aimed at limiting government travel and attendance at conferences was passed by the Senate as part of a postal reform bill.

The Obama Administration also recently tightened its stance on travel in a memorandum, M-12-12, issued to federal agencies from Jeffrey Zients, acting director of OMB. The memorandum builds on previous directives aimed at federal agency cost reductions and savings and specifically addresses four areas: federal travel, conferences, real property and fleet management.

The memorandum directs agencies to manage their travel budgets by requiring them to reduce travel by 30 percent from 2010 levels and maintain such a reduction through FY 2016. The agencies are required to report to OMB on the amount of the proposed reductions, the amount of the 2010 obligations to serve as a baseline for measurement, and any travel expenses that may be excluded from the baseline such as travel for critical government functions like national security, international diplomacy, health and safety inspections, law enforcement, and site visits necessary for oversight or investigatory purposes.

The memorandum further requires a review and clarification of existing travel regulations and policies to:

- Increase the sharing of rental automobiles and taxis where appropriate.
- Assure the per diem reimbursement only includes actual costs not covered by another party.

(article continued, next page)
MSRB Has a Busy Month of Muni Market Activity

The Municipal Securities Rulemaking Board had a flurry of activity this month on proposed regulations of certain state government bond issuance activity. Earlier this year, the MSRB issued an interpretive notice on the duties of underwriters to state and local government issuers, which was scheduled to take effect on August 2, 2012, following approval by the U.S. Securities and Exchange Commission. On May 7, the SEC approved the interpretive notice, which includes the following requirements:

- **Role of the Underwriter/Conflicts of Interest:** An underwriter is required to provide robust disclosures as to its role, its compensation and any actual or potential material conflicts of interest.
- **Representations to Issuers:** All representations made by underwriters to state and local governments must be truthful and accurate and may not misrepresent or omit material facts.
- **Required Disclosures to Issuers:** Underwriters of municipal bond issues that recommend complex municipal securities transactions or products are required to disclose all material financial risks and characteristics, incentives and conflicts of interest regarding the transactions or products.
- **Underwriter Duties in Connection with Issuer Disclosure Documents:** An underwriter’s duty to have a reasonable basis for the representations it makes to a state or local government extends to representations made in connection with the preparation by the state or local government of its disclosure documents.
- **New Issue Pricing and Underwriter Compensation:** The duty to treat state and local governments fairly includes an implied representation that the price an underwriter pays to a state or local government is fair and reasonable, taking into consideration all relevant factors.
- **Conflicts of Interest:** Underwriters are required to disclose potential conflicts of interest, including the existence of third-party payments, values, or credits made or received, profit-sharing arrangements with investors, and the issuance or purchase of credit default swaps for which the underlying reference is the state or local government whose securities are being underwritten.
- **Retail Order Periods:** Underwriters are reminded not to disregard the state and local governments’ rules for retail order periods by accepting or placing orders that do not satisfy the state and local governments’ definitions of “retail.”

The notice also prohibits an underwriter from recommending that the issuer not retain a municipal advisor.

To further promote market transparency as outlined in its long-range strategic plan, the MSRB agreed to provide further guidance to state and local governments to enhance their understanding of how best to provide annual financial disclosures to the MSRB for display on the Electronic Municipal Market Access (or EMMA) website. The MSRB also agreed to reach out to issuers of municipal bonds to work toward refining the continuing disclosure submission process and to create appropriate tools and utilities to assist issuers and obligated persons in this process, with the goal of promoting comprehensive and timely disclosures to investors.

The MSRB also announced this month that Executive Director Lynnette Kelly has received the Municipal Forum of New York’s Public Service Award. Kelly, who has been MSRB’s executive director since 2007, has overseen expansion of the MSRB’s mission under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 to protect issuers of municipal securities, entities whose credit stands behind municipal securities, and public pension plans.

**Travel Policies** (continued from previous page)

- Promote the identification of non-contract air carriers that could result in lower travel costs.
- Leverage the government’s purchasing power for reducing costs associated with hotels and rental cars.
- Promote booking of airfares by employees, to the extent practical, at times when the lowest fare is available and at an appropriate time.
- Assure that agencies have policies in place to collect refunds on unused or partially used airline tickets as consistent with existing reave regulations.

OMB also addressed conferences in M-12-12. In a previous memorandum, federal agencies were directed to review policies and controls associated with conferences and conference-related activity. M-12-12 expands on current policies to assure that hosting or attendances at conferences are appropriate in relation to efforts to reduce spending. New or modified policies include:

- Initiating senior-level review of planned conferences to be hosted or sponsored by the federal agency where expenses would exceed $100,000.
- Initiating senior-level review of all future conference expenses in excess of $100,000.
- Prohibiting expenses in excess of $500,000 for a single conference; however, this provision may be waived in exceptional circumstances.
- Placing on the agency’s website a report of all conference expenses in excess of $100,000, including the waiver information where expenses exceed $500,000.

Finally M-12-12 expands previous directives requiring agencies to dispose of excess property and optimizes the use of government-owned vehicles by complying with a vehicle replacement schedule of at least three years or when a vehicle has been driven in excess of 60,000 miles.
Register Now for NASACT 2012 in Seattle!

Registration is available for the 2012 NASACT Annual Conference in Seattle, Washington, which will be held August 11-15. Find information about the conference hotel, special activities and more at www.nasact.org/conferences_training/nasact/conferences/AnnualConferences/2012AnnualConference/2012AnnualConference.cfm.

Hotel Cut-Off is July 9! The conference will be held at the Grand Hyatt Seattle. This year’s conference rate is $169/night plus applicable tax. To reserve your room, call (888) 421-1442 and ask for the NASACT Annual Conference rate. Make your reservation early to ensure that you can get rooms in NASACT’s block.

General Session Highlights

Lessons from the Future: Navigating the 21st Century

Glen Hiemstra, Founder, Futurist.com

Futurist Glen Hiemstra will review key trends shaping the next decade and beyond, as we deal with the global economic re-set. He suggests that a new vision for a preferred future will emerge based on revised values, innovation, the network effects of advanced communication, and new technology. By acting wisely now, you can lead your enterprise to a more sustainable, higher-quality future.

Congressional Update: Another Impactful Year

David Quam, National Governors Association
Danny Werfel, Controller, Office of Federal Financial Management, Office of Management and Budget (invited)

Congress continues to be active in developing, debating and passing new laws that affect state governments. This session will address these new laws, passed and under consideration, as well as the implementing regulations that impact NASACT members and their respective states.

The Economy: Are We Turning the Corner?

William A. Longbrake, Ph.D., Executive in Residence, Smith School of Business, University of Maryland

The state of the U.S. economy is the number one concern for most Americans. The interplay between American and global markets has set the stage for one of the most precarious situations most living today have ever seen. How much of it is hype though, and how concerned should we be? This session will provide an economic update to help us figure it out.

Government IT Initiatives: Things You Can Expect

Kimberly T. Nelson, Executive Director of e-Government and Director of the U.S. Public Sector’s State and Local Government Solutions Team, Microsoft

Exciting new technological developments in information technology are enabling governments to realize successes never before envisioned. Hear the latest success stories and learn how to leverage IT innovations in your state.

CFO Roundtable

Kim Wallin, State Controller, Nevada
John Chiang, State Controller, California (invited)
Thomas DiNapoli, State Comptroller of New York (invited)
Danny Werfel, Controller, Office of Federal Financial Management, Office of Management and Budget (invited)
Mark Okerstrom, CFO, Expedia (invited)

Top CFOs from the public and private sectors will share their thoughts on building a world-class financial management operation, including the CFO’s role in enterprise-wide cost reduction and improved performance.

More! The technical agenda will also include sessions on topics such as standards updates, the “Cloud,” budgetary issues, fraud and prevention, making ERP systems work for government, transparency, and emerging issues.

Don’t Forget the Travel Assistance Program!

NASACT principals (or their designees) in good standing are eligible to receive up to $1,000 in travel assistance to attend the annual conference. The funds may be used to cover registration or travel costs. Additionally, all new state auditors, state comptrollers and state treasurers will be offered up to $1,000 in travel assistance and complimentary conference registration (a $700 value). New members should call Donna Maloy at (859) 276-1147 to register.
William G. Holland Appointed to Third Ten-Year Term

On May 17, Illinois Auditor General William G. Holland was appointed to his third straight ten-year term. The Senate confirmed his reappointment by a vote of 57-0. The appointment requires approval by both legislative chambers; he was previously approved (also unanimously) by the House. He was praised by the legislature for his prominent role in the Blagojevich impeachment trial.

Mr. Holland has received honors from the National State Auditors Association and NASACT, including the NSAA William R. Snodgrass Distinguished Leadership Award and the NASACT President’s Award (which he has received twice). He is a past president of NSAA and is currently secretary of the NASACT Executive Committee. He has been involved in numerous committee activities and special projects over the years. His office has won three NSAA Excellence in Accountability Awards since the inception of the program in 2004. Mr. Holland has testified before the U.S. Congress on behalf of the association and worked to address a number of issues affecting NASACT members, including the effort to find a suitable solution to funding the Governmental Accounting Standards Board.

New at www.nasact.org

- Observations from Gerry Boaz (TN) of the March 6-8, 2012, meeting of the Governmental Accounting Standards Board at www.nasact.org/nasact/positions/GASB.cfm (members only content).

- NASC technical inquiries on the following topics at www.nasact.org/nasc/technical/index.cfm (members only content):
  - Use of Original Receipts and Invoices
  - Electronic Pay Stubs


State Auditors: Call for Resolutions

The National State Auditors Association will hold a business meeting on Thursday, June 14, in conjunction with the 2012 NSAA Annual Conference in Madison, Wisconsin. Resolutions for consideration at this meeting should be sent to Glenda Johnson at gjohnson@nasact.org by Friday, June 1.

Mark Your Calendar: Upcoming Information Sharing Calls

June
- NASC Paperless Accounts Payable Information Sharing – June 14

July
- NASC Internal Controls Information Sharing – July 19
- NSAA Human Resources Information Sharing – July 25

August
- NASC State Government Payroll Information Sharing – August 8
- NASACT Committee on Accounting, Reporting and Auditing – August 12 (this call is held on a Sunday at the 2012 NASACT Annual Conference, those wishing to participate by phone may still do so)
- NASC Travel and P-Card Information Sharing – August 22

Get Involved!
For information on participating in any of these calls, contact NASACT’s headquarters office at (859) 276-1147.
**NASACT Establishes a Technical Exchange Program with Mexico Comptroller’s Association**

On May 16-18, a delegation representing NASACT attended the forty-eighth annual conference of the Mexico Permanent Commission of State Comptrollers (Nacional de la Comision Permanente de Controlares Estados-Federacion, or the CPCE-F). NASACT was invited to participate by the CPCE-F in March, when a delegation from Mexico attended the annual conference of the National Association of State Comptrollers.

Attending on behalf of NASACT were Richard Eckstrom, comptroller general of South Carolina and president of NASC; Kim Wallin, state comptroller of Nevada and vice president of NASC; and Kinney Poynter, executive director of NASACT.

On Thursday, May 17, the NASACT delegation participated in a formal ceremony to sign a cooperative agreement establishing a technical exchange program. Through the program, NASC and CPCE-F will participate in each other’s annual conference to facilitate learning and information sharing. Additionally, comptrollers from the CPCE-F will be invited to visit NASC member offices when a technical need identified by the CPCE-F can be matched up with an appropriate U.S. comptroller success story or best practice.

On Friday, May 18, Ms. Wallin, Mr. Eckstrom and Mr. Poynter gave a two-hour presentation on “Transparency Systems and Accountability at the State Level in the United States.” For additional information about the May meeting, see page 15 of this newsletter.

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**NASACT Announces 2012-13 Committee Chairs**

NASC President Richard Eckstrom, comptroller general of South Carolina, has named leaders for NASC’s 2012-13 committees and information sharing groups. To see descriptions and member rosters, visit www.nasact.org/nasc/committees/index.cfm. To indicate your interest in serving on a committee or group, email Kim O’Ryan at koryan@nasact.org.

### Committees

**Executive Committee**
- President: Richard Eckstrom (SC)

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

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

**Committee on the Financial Plan**
- Chair: Paul Christofferson (MT)

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

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

**Middle Management Conference**
- Co-Chair: Greg Griffin (GA)
- Co-Chair: TBD - host state

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

**Program**
- Chair: Kim Wallin (NV)

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

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

**Information Sharing Groups**

**Internal Control**
- Co-Chair: Merideth Hackney (ID)
- Co-Chair: Lynda Roesler (NE)

**State Government Payroll**
- Co-Chair: Ruth Duquette (MI)
- Co-Chair: Vicki Smith (TX)
- Co-Chair: Dale Vanlandingham (WY)

**Paperless Accounts Payable**
- Co-Chair: Ed Carter (NH)
- Co-Chair: Alan Skelton (GA)

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

**Travel and Purchase Card**
- Co-Chair: Patti Everill (ID)
- Co-Chair: Marie Walker (FL)

Visit www.nasact.org/nasc/committees/index.cfm to view committee rosters, meeting minutes and resources (minutes and resources are members only content).
GAAP Hierarchy Project Added to Current Technical Agenda

After consultation with members of the Governmental Accounting Standards Advisory Council and other members of the Governmental Accounting Standards Board, GASB Chairman Robert Attmore recently added a project to the current technical agenda. The project will consider possible modifications to the hierarchy of generally accepted accounting principles. The “GAAP hierarchy” project was elevated to the current technical agenda from the GASB research agenda. Projects on the current technical agenda are those for which active deliberations by the Board are expected to take place during the coming year.

The GAAP hierarchy is set forth in Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The hierarchy consists of the sources of accounting principles used in the preparation of financial statements of state and local governments that are presented in conformity with GAAP and the framework for selecting those principles. It lists the order of priority of pronouncements that a governmental entity should look to for accounting and financial reporting guidance.

This project will reexamine the hierarchy levels to assess whether the standards-setting process and the governmental financial reporting environment have sufficiently evolved since the establishment of the original hierarchy by the American Institute of Certified Public Accountants in 1992 to warrant reconsideration or reconfiguration of certain aspects of the structure.

Specifically, this project will address a number of key issues, including the possible combination of some categories to provide for fewer levels or a single level of GAAP, potential elevation of AICPA pronouncements and GASB technical bulletins within the hierarchy, and addition of a specific reference to the FASB Accounting Standards Codification® as “other accounting literature.”

In March, GASAC members rated the project a high priority for inclusion on the GASB’s agenda. Board deliberations are due to begin in August with consideration of proposed modifications to the hierarchy and approach to due process. Issuance of an exposure draft is scheduled for January 2013.

Public Hearings Held on Financial Projections Preliminary Views

The GASB recently held two public hearings on the preliminary views document Economic Condition Reporting: Financial Projections. The first public hearing was held in March in Los Angeles, California; the second was held in April in New York City.

During the hearings, the GASB received testimony from 23 individuals and organizations, including preparer organizations such as NASACT and financial statement users. Participants expressed a wide range of opinions, both supportive and critical.

The Board issued its preliminary views in December and received more than 170 written comments in response. Input received during the comment period and through these public hearings will provide valuable information to the Board as it continues its project deliberations.

Recent Board Activity

The GASB met in March and April and held a teleconference meeting in March to discuss current agenda projects. Details of the May public and teleconference meetings will be discussed in the next GASB Update scheduled for July.

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 exposure drafts Accounting and Financial Reporting for Pensions (Employer Exposure Draft) and Financial Reporting for Pension Plans (Plan Exposure Draft). A detailed list of all major tentative decisions in this project can be found on the pension project page of the GASB website.

Timing and Frequency of Measurements

Regarding the timing of the measurement of the net pension liability for single and agent employers, the Board tentatively agreed to modify the Employer Exposure Draft proposal that would have required a single or agent employer to recognize its net pension liability as of its fiscal year-end. The Board tentatively decided that a single or agent employer should be permitted to recognize a net pension liability that is measured as of a date no earlier than the end of its prior fiscal year, consistently applied from period to period.

The Board tentatively agreed that the total pension liability component of the net pension liability should be determined at the measurement date either by (1) an actuarial valuation as of that date or (2) the use of update procedures to roll forward amounts to the measurement date from an actuarial valuation as of a date no more than 30 months (plus 1 day) prior to the employer’s fiscal year-end.

To the extent that update procedures are used, the Board affirmed the Employer Exposure Draft proposal to require the effects of significant changes that occur between the actuarial valuation date and the measurement date to be reflected in the measure of the net pension liability of a single or agent employer. The Board tentatively agreed that, if the employer reports a net pension liability measured as of a date other than its fiscal year-end and significant changes occur between the measurement date and its fiscal year-end, the employer should disclose information

(continued, next page)
about the nature of the change and an estimate of the financial impact of the change.

**Expense Recognition**

The Board discussed the overall approach to single and agent employer pension expense recognition as proposed in the Employer Exposure Draft and tentatively decided to modify the proposals related to the recognition of the effects on the total pension liability of differences between expected and actual experience with regard to economic or demographic factors and the effects of changes of assumptions about future economic or demographic factors. Specifically, the Board tentatively agreed that differences between expected and actual experience and changes of assumptions for all employees (both active and inactive, including retirees) should be recognized as deferred outflows of resources and deferred inflows of resources. The Board tentatively decided that the resultant deferred outflows of resources and deferred inflows of resources should be recognized in pension expense over the average expected remaining service lives of all employees and retirees, both active and inactive, using a systematic and rational, closed-period method.

The Board affirmed the Employer Exposure Draft proposal to require differences between projected and actual plan investment earnings to be recognized in pension expense over a closed five-year period, in a systematic and rational manner. With regard to the presentation of deferred outflows of resources and deferred inflows of resources arising from differences between projected and actual plan investment earnings, the Board tentatively agreed to modify the Employer Exposure Draft proposal to instead require that deferred outflows of resources and deferred inflows of resources resulting from differences between projected and actual plan investment earnings be presented on a net basis in the employer’s statement of net position.

**Discount Rate: Requirements for the Municipal Bond Rate**

With respect to the municipal bond rate to be used when net assets are not expected to be available to be invested for the long term to make benefit payments, the Board tentatively decided that the maturity should be 20 years, rather than 30 as proposed. The Board also tentatively agreed that the high-quality municipal bond index rate that is used in the determination of the blended discount rate, if applicable, should represent a yield or index rate for tax-exempt general obligation bonds that have an average rating of AA/Aa or higher.

**Pensions Provided through Cost-Sharing Plans**

The Board considered respondent feedback on issues related to the Employer Exposure Draft proposal that individual cost-sharing employers should recognize their proportionate share of the collective net pension liability of all employers in a cost-sharing plan. With regard to which entity or entities should be viewed to have primary responsibility for accounting and financial reporting purposes for the unfunded obligation to employees for pensions provided through cost-sharing plans, the Board tentatively affirmed its view that the employers should be viewed as collectively having primary responsibility for the unfunded obligation as a result of the employment exchange transactions.

With regard to the involvement of nonemployer entities that have a legal requirement to make contributions directly to a trust used to administer a pension plan, the Board tentatively affirmed that unless the nonemployer entity’s requirement to contribute directly to the trust used to administer the pension plan is defined in terms of a dedicated revenue stream, the nonemployer contributing entity’s requirement to contribute should be viewed as an assumption of the net pension liability of the employer(s).

The Board also affirmed its tentative view that a cost-sharing employer’s or nonemployer contributing entity’s obligation relative to the collective unfunded pension obligation meets the definition of a liability in Concepts Statement No. 4, *Elements of Financial Statements*—that is, a present obligation to sacrifice resources that the entity has little or no discretion to avoid.

The Board tentatively affirmed that the collective net pension liability for benefits provided through a cost-sharing plan should be measured under the same requirements as tentatively were agreed to by the Board for measurement of single and agent employer net pension liabilities. Regarding liabilities that should be recognized by individual cost-sharing employers and nonemployer contributing entities that are identified as assuming a portion of the net pension liability of the employer(s), the Board tentatively agreed that the tentative decisions related to measurement of an individual employer’s proportionate share of the collective net pension liability also should be applied to measurement of a nonemployer contributing entity’s proportionate share of the net pension liability of the employer(s).

The Board tentatively agreed that the final Employer Statement should require a cost-sharing employer to recognize as its net pension liability a measure of the present value of the portions of projected future individual-employer contributions that are projected to satisfy the collective net pension liability. If the application of the direct approach is not practical, the Board tentatively agreed that the final Employer Statement should permit an employer’s net pension liability to be measured by (1) calculating the employer’s proportion in relation to all employers calculating the employer’s proportion in relation to all employers using an approach that is associated with the manner in which contributions are assessed to satisfy the net pension liability and (2) multiplying the collective net pension liability by that proportion.

The Board tentatively agreed that measures of collective pension expense, collective deferred outflows of resources, and collective deferred inflows of resources should be determined under the same requirements as the Board tentatively agreed upon for measurement of those elements for single and agent employers. The Board also tentatively agreed that the final statement should permit inclusion of collective deferred outflows of resources and collective deferred inflows of resources in collective pension expense over the average expected remaining service life of all employees (including active and inactive employees), regardless of whether separate components of the collective net pension liability are determined for purposes of determining an individual employer’s proportionate share of

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Below is a complete listing of sessions and speakers from the 2012 NASACT Middle Management Conference, held in Little Rock, Arkansas, on April 16-18. To download handouts or PowerPoint presentations from the conference, visit www.nasact.org/conferences_training/JointMiddleManagement/management.cfm. Presentations from the past several years may also be found at this web address.

NASACT wishes to thank the planning committees: the Auditor Training Committee of the National State Auditors Association and the Middle Management Conference Committee of the National Association of State Comptrollers. Additionally, NASACT wishes to thank the Arkansas hosts for their time to help plan the conference and their warm welcome and hospitality to the attendees. Special thanks go to Paula Kinnard and Kim Williams from Legislative Auditor Roger Norman’s office for their help in planning the technical program.

Questions may be directed to Sherri Rowland at srowland@nasact.org or Kim O’Ryan at koryan@nasact.org.

Is Your State Interested in Hosting Middle Management 2013?

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

Would your state be interested in hosting the conference in April 2013? If so, please contact Sherri Rowland at srowland@nasact.org or Kim O’Ryan at koryan@nasact.org for additional details.
Calendar of Events

2012

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

2013

March 20-22  ■ NASC Annual Conference, Columbia, SC
June (dates TBD)  ■ NSAA Annual Conference, CA
August 10-14  ■ NASACT Annual Conference, Boston, MA

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

By Donna Maloy, Conference Manager

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

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

Benefits associated with these levels vary. To view the complete brochure outlining the benefits and to see which companies are currently members, visit www.nasact.org/nasact/corporate/index.cfm.

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

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DID YOU KNOW? You can register for any of NASACT’s conferences and events at www.nasact.org. Go to the Calendar of Events, where you’ll find general information, hotel information, meeting agendas and more.
that measure. With regard to the calculation of an employer’s proportionate share of collective pension expense, collective deferred outflows of resources, and collective deferred inflows of resources, the Board tentatively agreed that the final statement should permit those amounts to be determined by multiplying collective pension expense, collective deferred outflows of resources, and collective deferred inflows of resources by the ratio of the employer’s total net pension liability to the total collective net pension liability.

The Board tentatively affirmed that a cost-sharing employer should account for (1) the effect of a change in its proportion and (2) the difference between actual contributions to a pension plan and the proportionate share of collective employer contributions recognized as part of the employer’s change in the collective net pension liability, as a deferred outflow of resources or deferred inflow of resources and recognized in pension expense over the same period used to recognize similar changes in the collective net pension liability in that period.

**Note Disclosures and RSI for Single or Agent Employers**

The Board discussed respondent comments received about each of the note disclosure proposals for single and agent employers that were included in the Employer Exposure Draft and made the following tentative decisions:

- Disclosure of the total (for all plans) amount of net pension liabilities, pension-related deferred outflows of resources and deferred inflows of resources, and pension expense should be required if those amounts are not otherwise presented.
- Disclosure of information that provides a description of the benefits should be carried forward to the final Employer Statement.
- Disclosures related to the significant assumptions used to measure the net pension liability generally should be carried forward to the final Employer Statement.
- With regard to note disclosures about assumptions related to the discount rate, the Board tentatively agreed to require that the following information be presented:
  1. Assumptions made about contributions of the employer and employees and about other projected cash flows into and out of the plan.
  2. The long-term expected rate of return on plan investments and a description of how the long-term expected rate of return on plan investments was determined.
  3. The municipal bond index rate and identification of the index selected, if the discount rate incorporates a municipal bond index rate.
  4. The periods of projected benefit payments to which the long-term expected rate of return and the municipal bond index rate were applied to determine the discount rate.
  5. The effects on the current-period net pension liability of a 1-percentage-point increase and a 1-percentage-point decrease in the discount rate.
- Disclosure of a schedule of changes in the net pension liability and additional supporting information about certain individual line items in that schedule, information about the components of pension expense, information about changes in the pension-related beginning deferred outflows of resources and beginning deferred inflows of resources balances, and information about allocated insurance contracts should be carried forward to the final Employer Statement. The Board tentatively revised the disclosure of the components of pension expense to consolidate and reduce the number of components required to be presented.

The Board tentatively agreed to retain the proposed requirements for RSI schedules containing liability-related information (a schedule of changes in the net pension liability and a schedule of pension liability ratios). It also was tentatively agreed that the final Employer Statement should permit the presentation of a single schedule containing the information from both proposed schedules. The Board tentatively agreed to retain the proposed requirement that employers with an actuarially determined contribution present an RSI schedule of employer contributions. The Board also tentatively affirmed an earlier tentative decision that employers without an actuarially determined contribution should not be required to present an RSI schedule of employer contributions. For all schedules of RSI that would be required, the Board tentatively affirmed that information for the past 10 years should be reported, and that the schedules may be developed prospectively.

The Board also discussed the measurement date for information presented in schedules of RSI and tentatively agreed that measurement of the information in the schedule of changes in the net pension liability and the schedule of pension liability ratios should be coordinated with the measurement date for the net pension liability recognized in each period.

**Coordination of Note Disclosures and RSI between Single or Agent Employers and Pension Trust Financial Reports**

The Board considered respondent suggestions to permit employers to refer to the separately issued financial reports of trust funds used to administer pensions in place of presenting information directly in the note disclosure or RSI presentations of the employers. The Board tentatively agreed that, with the exception of notes related to plan net position, employers should present all of the required notes and RSI, regardless of whether a separately issued financial report that contains the same information from the perspective of the pension trust is available. The Board also tentatively agreed to retain the proposed provisions that direct employers to minimize the presentation of duplicate information if the employer includes the pension trust in its financial report.

**Effective Date and Transition Provisions**

The Board tentatively agreed that the final Plan Statement should be effective for all plans for periods beginning after June 15, 2013, and that the transition provisions of the Plan Exposure

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Draft should be carried forward to the final Plan Statement.

In addition, the Board tentatively agreed that the final Employer Statement should be effective for all employers and governmental nonemployer contributing entities for periods beginning after June 15, 2014.

Financial Guarantees

In its project on financial guarantees, the Board discussed issues regarding the recognition of financial guarantees resulting from nonexchange transactions when both the government extending the guarantee and the government whose obligation is guaranteed are a part of the same reporting entity. The Board tentatively agreed that liabilities for guarantees extended on obligations within the same reporting entity should not be recognized until the government extending the guarantee is required to make a payment on the guarantee or has legally assumed the liability for the obligation.

In considering whether the project also should include guarantees resulting from exchange transactions, the Board tentatively agreed that the scope of the financial guarantees project should be limited to guarantees provided and received as a result of nonexchange transactions.

Next, the Board discussed note disclosures for both governments that extend financial guarantees and governments that issue obligations that have financial guarantees as a result of nonexchange transactions. The Board tentatively agreed that governments that extend guarantees of the debt of others should disclose certain information about the nature and amount of guarantees extended. Information regarding the nature of a guarantee extended should include, for example, a description of the obligations that are guaranteed for each type of financial guarantee extended. Information regarding the amount of guarantees extended should include, for example, a schedule of changes in recognized liabilities, disclosure of beginning and end-of-year balances, increases, decreases and adjustments.

The Board also tentatively agreed that governments that issue debt that is guaranteed should disclose certain information on the details and conditions of the guarantee, including, for example, the name of the entity providing the guarantee and a summary of the events or circumstances that would require the guarantor to make payment.

In addition, the Board discussed issues related to recognition of liabilities resulting from extending financial guarantees as a result of nonexchange transactions in financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting. The Board tentatively agreed that liabilities resulting from the extension of financial guarantees as a result of nonexchange transactions should be recognized in financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting in the period the liabilities are normally expected to be liquidated with expendable available financial resources.

The Board also discussed transition and effective dates for the proposed Statement and agreed its provisions should be applied retroactively except for requirements related to disclosure of cumulative payments made or received as a result of financial guarantees. For such disclosures, the Board tentatively agreed that prospective application would be permitted. The Board tentatively agreed the effective date of the proposed Statement should be for periods beginning after June 15, 2013, with early application encouraged.

Fair Value Measurement and Application

The Board continued deliberations on the fair value measurement and application project with specific focus on valuation techniques and measurement inputs.

In discussing literature of the Financial Accounting Standards Board and the International Accounting Standards Board as it pertains to the market and income valuation techniques, the Board tentatively agreed that governments should apply these techniques. The Board also discussed the current replacement cost valuation technique and will consider its implications for governmental entities in more detail at future meetings. The Board tentatively agreed that multiple valuation techniques may be applied and that the technique that should be applied is the one that in the practitioner’s professional judgment best represents fair value. The Board considered FASB and IASB guidance that establishes a hierarchy of inputs for fair value measurements and tentatively agreed to propose a similar methodology, requiring practitioners to apply Levels 1, 2, and 3 inputs.

The Board tentatively agreed that adjustments to the inputs in a fair value measurement for a blockage factor should be prohibited. Level 1 inputs should be utilized when available and not adjusted for premiums or discounts. Levels 2 and 3 inputs may incorporate discounts and premiums to the extent that these characteristics would be considered by market participants when pricing the asset or liability.

The Board next considered FASB and IASB literature that pertains to the cost approach in measuring fair value as well as some of the current uses for this approach. The literature at issue describes the cost approach as the amount that would be required currently to replace the service capacity of an asset, usually through acquisition or construction of a substitute asset.

As it pertains to governments, the cost approach is most notably used by pension plans and endowments that use alternative investments. Those investments may report business combinations or property, plant, and equipment that do not have market prices or identifiable cash flows. Taking the FASB guidance on fair value as a starting point for the GASB’s project, the Board tentatively agreed that a fair value standard should include a cost technique as substantively presented in the FASB Accounting Standards Codification™. In order to alleviate confusion over terminology in the GASB literature, references to replacement cost would be deleted.

After discussing the potential for a present value project, the Board tentatively agreed that this issue warrants its own project and that it should not be fully incorporated within the scope of the fair value measurement and application project. Present value topics should only be included to the extent that they are used in a fair value measurement. The Board discussed the present value

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material presented in FASB Topic 820, Fair Value Measurement, and tentatively decided to include the substance of the “general principles” as part of the standard.

**Conceptual Framework: Recognition and Measurement Approaches**

At the request of the Board at the November meeting, staff presented the Board with the results of interviews conducted with users of governmental financial statements to gather feedback on the preliminary views document *Recognition of Elements of Financial Statements and Measurement Approaches*. The Board discussed the responses collected in the interview process and decided that it had received sufficient feedback on the preliminary views to continue project deliberations at the July 2012 meeting.

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**Register Now for NASACT's Next Webinar: GASB Review–2012**


**July 18 GASB Review–2012**

**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

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**NASACT Completes Thirty-First Annual Government Auditor Tennessee Training Seminar Series**

Each year, NASACT works with the Tennessee Comptroller of the Treasury to plan and conduct the Tennessee Government Auditor Training Seminars Program. This year marked the thirty-first year for this successful training series, with 588 attendees.

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

- A review of emerging issues in governmental accounting and auditing.
- A session about the new Investigative Unit of Tennessee’s Department of Audit.
- Case studies of fraud, waste and abuse in a Tennessee public utility district and local governments.
- An overview of state-specific ethics laws and rules.
- A walk-through of the new Clarity Standards from the American Institute of Certified Public Accountants.
- An update on activities of the Governmental Accounting Standards Board.
- An update on the 2011 revision of Government Auditing Standards.
- An update on single audit/A-133 issues.

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

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

Would a program like the Tennessee Training Seminars help improve government auditing in your state? To explore the possibilities, contact Kinney Poynter at kpoynter@nasact.org or (859) 276-1147.
Mexico Technical Exchange Recap

Richard Eckstrom (SC), Kim Wallin (NV) and Kinney Poynter participated with CPCE-F representatives Edgar Andrade and Jorge Shields in a session on state-level transparency.

Richard Eckstrom (SC) addressed the group during the NASACT delegation’s presentation on transparency.

Kim Wallin (NV) provided details on Nevada’s transparency efforts, including lessons learned along the way.

The formal agreement between NASACT and the CPCE-F was signed on Thursday, May 17.

Officials from NASACT and CPCE-F signed a cooperative agreement to establish a technical exchange program on Thursday, May 17.

The NASACT delegation (in the front row) and participants and members of the CPCE-F paused for a group photo during the conference.
Middle Management Conference Recap

Glen Fowler (CA), chair of the NSAA Auditor Training Committee, and Roger Norman, legislative auditor (AR) and conference host.

Gerry Boaz (TN) provided a GASB update during one of the conference’s concurrent sessions.

Jim Dahlquist (IL) led the training issues roundtable.

Beth Wood, state auditor (NC), discussed an audit her office conducted and for which it won an NSAA Excellence in Accountability Award in 2011.

Randy Roberts (AZ) provided an overview of the American Institute of Certified Public Accountants’ Clarity Standards, including the concept of “group audits.”

Harvey Lillywhite and Christopher Thacker from Quality Communications, Inc., discussed “How to Capture and Keep Your Audience.”