It has been an honor to serve as president of NASACT this year. While it has been a challenge, the strong commitment of the Executive Committee and the many volunteers on our other committees and task forces have made the experience more than worthwhile. The skill and commitment of our staff cannot be overstated. They are critical to the support of the Executive Committee’s mission.

This year marked the resolution of past challenges, only to bring new ones. A permanent funding source for the Governmental Accounting Standards Board moved to full implementation, ensuring an adequate long-term funding source. As we put GASB funding in the rear view mirror, we see other issues arising regarding GASB as the sole independent standard setter for government financial information, as well as issues surrounding the sovereignty of states and what role the federal government should play in regulating state finances:

• Both private sector entities and some at the federal level have discussed imposing pension reporting standards different than those proposed by GASB on state and local governments.
• Many of us are familiar with the debate currently taking place within the Financial Accounting Foundation about how and under what circumstances the trustees should seek to place limits on the scope of standards set by GASB.
• The U.S. Securities and Exchange Commission released a report making recommendations, including several legislative recommendations, to broaden the SEC’s authority over issuers in the municipal market.
• The Municipal Securities Rulemaking Board has been given a broader legislative mandate to protect municipal entities and has begun to engage in a process to consider and define the scope of that authority. One of the first considerations is what if any role the MSRB should play in overseeing public pensions.
• The U.S. Office of Management and Budget has engaged in long-awaited updates of circulars impacting federal grant reforms.

Each of these proposals could have long-term implications for the financial operations of states. Taken as a whole, these proposals represent a time for potential great change in the relationship between state governments and the federal government and related federal entities. NASACT has been careful to listen and participate thoughtfully in each of these processes. We want to be sure to understand the concerns being raised and, where appropriate, participate in solutions that appropriately recognize the important role and sovereignty of the states and commonwealths as well as the independent standard-setting role of GASB.

In the area of municipal market disclosure, we believe many of the issues raised in the SEC study have merit and should be addressed. In response, NASACT has shifted its focus from accelerating the CAFR to working on interim disclosure. The

(article continued, next page)
A Message From NASACT's President (continued from page 1)

theory is that there is a great deal of reliable, auditable financial information in the hands of issuers during the year and shortly after year-end. We need to identify the components of this information that would be most valuable to investors and make them available before the CAFR is audited and issued. This information should be available throughout the fiscal year in an easily accessible format, ideally on an investor website. To this end, a task force has been meeting throughout the winter and spring to develop recommended best practices in this area. The task force has worked internally to draft a strong document and is currently seeking comments from other associations that work with us in the municipal securities market. We hope to release these new guidelines at the conference in August. Once these recommendations are issued, we should move to an implementation group where we can share with each other successes and failures to assure these recommendations move forward to implementation.

In these times of great change in the relationship between the states and the federal government, it is critical that we as an organization stay active and engaged in this dialogue. Where possible, I have represented the organization along with Executive Director Kinney Poynter and Washington Director Cornelia Chebinou. Where appropriate, we have submitted written comments and recommendations. The Executive Committee has set aside resources dedicated to support these efforts, but we will need members of the Association to engage in this effort to be successful. I have called on many of you to support these efforts. My successors will do the same, and I know you will respond. I thank you for your continued commitment to these endeavors.

Let me conclude by thanking you for the opportunity to serve. We accomplish all that we do through the commitment of our members and a talented dedicated staff. You have made my job as president a pleasure.

We have an outstanding technical program in place for the upcoming NASACT annual conference, along with some networking that will share the beauty of some of Boston’s most famous landmarks. I look forward to seeing you and sharing with you some of the sights and hospitality of our capital city.

---

### 2013 Annual Conference – Boston: Schedule at a Glance

<table>
<thead>
<tr>
<th>Time</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Friday, August 9</strong></td>
<td></td>
</tr>
<tr>
<td>4:00 – 8:00 p.m.</td>
<td>Registration</td>
</tr>
<tr>
<td><strong>Saturday, August 10</strong></td>
<td></td>
</tr>
<tr>
<td>2:00 – 5:00 p.m.</td>
<td>Registration</td>
</tr>
<tr>
<td>4:00 – 10:00 p.m.</td>
<td>Hospitality Suite at the Seaport Hotel</td>
</tr>
<tr>
<td>6:00 a.m. – 3:30 p.m.</td>
<td>Golf Tournament at the Red Tail Golf Club</td>
</tr>
<tr>
<td><strong>Sunday, August 11</strong></td>
<td></td>
</tr>
<tr>
<td>6:30 – 9:00 a.m.</td>
<td>5K Fun Run/Walk at Fort Independence at Castle Island</td>
</tr>
<tr>
<td>9:00 – 11:00 a.m.</td>
<td>Brunch</td>
</tr>
<tr>
<td>10:00 a.m. – 5:00 p.m.</td>
<td>Registration</td>
</tr>
<tr>
<td><strong>Monday, August 12</strong></td>
<td></td>
</tr>
<tr>
<td>8:45 a.m. – 3:00 p.m.</td>
<td>Guest Program: Boston City Highlights</td>
</tr>
<tr>
<td>8:00 a.m. – 3:35 p.m.</td>
<td>• Conference Sessions</td>
</tr>
<tr>
<td>3:45 – 4:45 p.m.</td>
<td>• (open to members &amp; state staff only)</td>
</tr>
<tr>
<td>6:00 – 9:00 p.m.</td>
<td>A Night at Fenway Park</td>
</tr>
<tr>
<td><strong>Tuesday, August 13</strong></td>
<td></td>
</tr>
<tr>
<td>9:15 a.m. – 3:30 p.m.</td>
<td>Guest Program: Freedom and Cruising Tour</td>
</tr>
<tr>
<td>8:05 a.m. – 3:50 p.m.</td>
<td>Conference Sessions</td>
</tr>
<tr>
<td>4:00 – 5:00 p.m.</td>
<td>(open to members &amp; state staff only)</td>
</tr>
<tr>
<td>6:00 – 11:00 p.m.</td>
<td>NASACT Business Meeting</td>
</tr>
<tr>
<td><strong>Wednesday, August 14</strong></td>
<td></td>
</tr>
<tr>
<td>8:35 – 11:30 a.m.</td>
<td>Conference Session</td>
</tr>
<tr>
<td>Emerging Issues Roundtable</td>
<td></td>
</tr>
</tbody>
</table>

For complete details about the conference, visit www.nasact.org!
It’s Not Too Late — You Can Still Register for NASACT2013 in Boston!

It’s not too late to register for the 2013 NASACT Annual Conference in Boston this August 10-14! Find information about the conference hotel, special activities and more at www.nasact.org/conferences_trainings/conferences/AnnualConferences/2013AnnualConference/registration_brochure.pdf.

Special activities planned for the conference include a golf tournament, 5K fun run/walk, a reception at the JFK Library and Museum, and an evening at Fenway Park. Don’t miss the premier NASACT event of the year!

**General Session Highlights**

**GS#1. The Massachusetts Health Care Experience**
- Wendy Everett, ScD, New England Healthcare Institute
- Dr. Jonathan Gruber, Massachusetts Institute of Technology
- David Seltz, Massachusetts Health Policy Commission
- Glen Shor, Massachusetts Office of Finance and Administration

Glen Shor will moderate a discussion highlighting how the Commonwealth of Massachusetts changed its healthcare model and the lessons learned from the experience.

**GS#2. Congressional & Legislative Update**
- David Quam, National Governors Association

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 implementation regulations that impact NASACT members and their respective states.

**GS#3. CFO Panel: Challenges and Opportunities**
- Moderator: Kim Wallin, State Controller, Nevada
- John Chiang, State Controller, California
- Susan Combs, Comptroller of Public Accounts, Texas
- Thomas P. DiNapoli, Comptroller of New York

This panel of state CFOs will share their insights on how they have addressed recent challenges. Topics will include increasing government efficiency, transparency, public pensions, monitoring local government stress, and corporate governance.

**GS#4. The Redcoats Are Coming!**
- James Caulfield, Advanced Cyber Security Center

Using historic Boston as a backdrop, Mr. Caulfield will lead a discussion on the evolving cyber-threat landscape, actors and methodologies, and what we as a community can do to protect ourselves.

**GS#5. The Muni Market: Views From MSRB and NFMA**
- Jeffrey Burger, National Federation of Municipal Analysts
- Jay M. Goldstone, Municipal Securities Rulemaking Board

Many important issues continue to confront the municipal market. This session will describe those issues from the views of the Municipal Securities Rulemaking Board and the National Federation of Municipal Analysts.

**More!**

The technical agenda will also include sessions on topics such as standards updates, Big Data and business analytics, budgetary issues, fraud and prevention, making ERP systems work for government, transparency, and emerging issues.

**NASACT Members: Don’t Forget the Travel Assistance Program!**

NASACT principals (or their designees) in good standing are eligible to receive travel assistance to attend the annual conference ($700 to cover registration and up to $1,000 to cover other travel-related costs).

All assistance (for a total of up to $1,700) will be made available in the form of a reimbursement immediately following the conference.

Questions may be directed to Donna Maloy at dmaloy@nasact.org or (859) 276-1147.
SEC Proposes Rules to Reform Operation of Money Market Funds

The U.S. Securities and Exchange Commission last month proposed rules aimed at reforming the operation of money market funds to avoid the types of runs that occurred at the height of the financial crisis in 2008. The proposals offer two alternative reforms that could be adopted together or alone. One would require a floating net asset value (NAV) for prime institutional money market funds. The second alternative would use liquidity fees and redemption gates during times of stress.

NASACT, along with the National Association of State Treasurers, Government Finance Officers Association, and other market groups, continues to oppose moving from a fixed to a floating NAV, stating concerns over the effect of such a move on local government investment pools (LGIPs). In many states, LGIPs are required either by statute or through investment policies to maintain a stable NAV. There is also some concern that there could be an issue with government accounting rules which allow LGIPs to use a stable NAV as long as they operate in a manner consistent with SEC Rule 2a-7. The SEC introduced rule 2a-7 in 1996 to bolster investor confidence. This rule outlines the types of investments a fund can purchase and provides the accounting practices a fund can follow to keep a fixed NAV. Any changes to Rule 2a-7 may require a change in a state’s statute to comply.

Specifically the SEC is proposing two alternatives. The first requires prime institutional money market funds to use a floating NAV and not a stable $1 share price as is currently the practice. The proposal requires the prime funds to “basis point” round the share price to the nearest 1/100th of one percent. This rounding will cause the shares to have a price that changes frequently, or floats. Although government and retail money market funds would be exempt, many investment pools contain prime money market funds and would be in violation of their own statutes if their statute requires funds to maintain a fixed NAV. The second alternative would allow money market funds to retain a fixed NAV but also impose a two percent liquidity fee on all redemptions if a fund’s level of weekly assets were to fall below 15 percent of its total assets. A fund’s board of directors, however, could determine not to impose the fee or lessen the fee in the best interest of the fund. The second alternative also proposes a redemption gate (i.e., a suspension of redemptions) if the funds cross the threshold.

The proposal is also calling for enhanced disclosure requiring money market funds to make daily disclosures on their websites on the levels of daily and weekly liquid assets and market-based net asset values per share. The fund would also be required to disclose certain material events on a new form and also disclose sponsor support on that same form.

The SEC is requesting comments on the floating NAV proposal and its cost implications. A copy of the reform proposal is available on the SEC’s website at www.sec.gov/rules/proposed.shtml. Comments are due to the SEC by September 17.

In an effort to mitigate tax law concerns surrounding the SEC proposals, the Internal Revenue Service also recently issued proposed guidance. Notice 2013-48 establishes a de minimis exception to the wash sale rules of Code Sec. 1091 for certain redemptions of shares of money market funds. A copy of the notice can be obtained on the IRS website at www.irs.gov/pub/irs-drop/n-13-48.pdf. Comments on the notice are requested by October 28.

Continuing Disclosure Is the Focus of a New MSRB report

With much of the focus within the municipal market aimed at issuer disclosure practices and timeliness, the Municipal Securities Rulemaking Board has released a report detailing the extent of the disclosure documents being filed on their Electronic Municipal Market Access (EMMA) website. The report, “Continuing Disclosure Statistical Summary,” analyzes disclosure documents submitted by issuers on an annual, quarterly and monthly basis from July 2009 through March 2013. The MSRB is tasked with collecting disclosure documents associated with municipal bonds and makes them available to investors for free through EMMA.

Some items of interest from the report include:

- Audited financial statements or comprehensive annual financial reports accounted for 19 percent of all submissions.
- Annual financial information and operating data and rating changes accounted for 16 percent and seven percent of submissions, respectively.

From a volume standpoint, California and its municipalities submitted the largest share of the continuing disclosure documents over the lifespan of EMMA, accounting for nearly 12 percent of all disclosures. Texas, Florida, New York and Pennsylvania round out the top five states in terms of volume, accounting for 10, seven, six and five percent, respectively.

Pages six and seven of the report feature breakdowns of the types of continuing disclosures that EMMA is receiving. Examples include quarterly/monthly financial information, interim financial information/operating data, and investment/debt/financial policy. The MSRB data shows that quarterly and monthly financial information disclosures accounted for nearly 13 percent of all financial and operating disclosures since July 2009.

New Legislation Provides Annuity Option for State and Local Governments

Sen. Orrin Hatch (R-UT), ranking member on the Senate Finance Committee, introduced legislation that has been in the works since the release of a report last year entitled “State and Local Government Defined Benefit Pension Plans: The Pension Debt Crisis that Threatens America.” The 2012 report provides the senator’s analysis and opinion of how the unfunded pension liabilities of state and local governments jeopardize the fiscal solvency of states and municipalities as well as the nation’s long-term fiscal health, including the U.S. credit rating. The legislation, entitled the Secure Annuities for Employee (SAFE) Retirement Act of 2013 and numbered S. 1270, has three titles covering public pensions, private pensions and IRA regulatory authority.

The legislation is Sen. Hatch’s attempt to remedy what he categorizes as a public pension debt crisis by providing a new pension design through the use of annual annuities. According to the summary, the “new pension structure will solve the pension underfunding problems prospectively while delivering retirement income security, in the form of a deferred, fixed-income life annuity, to public employees.” The annuities option would be categorized as a defined benefit plan and is optional. The goal is to provide lifetime income for employees and move the risk away from employers and employees to insurance companies.

To meet the requirements provided in the act, the new annuity plan would have to purchase qualified individual deferred fixed income annuities at least annually, only the employer would provide contributions, and while a government could still operate a traditional defined benefit plan, an employee could not be in both the traditional defined benefit plan and the annuity plan. The benefits must commence at age 67 (57 for public safety employees) with a monthly payment for life, and the assets are not accumulated nor is there an ownership interest by the employer. The legislation also requires that the government undertake a competitive bidding process for the fixed annuity contracts and place limits on the amount of the contributions.

Although state and local groups are in the process of analyzing the legislation, it appears to provide another viable option for government employers in providing a retirement plan for their employees. Sen. Hatch’s staff is currently soliciting input on the legislation and has indicated that the senator will look for appropriate legislative vehicles to move the bill forward this year.

State Comptrollers Participate in Mexico Exchange Program

As part of the continuing exchange between NASACT and the state comptrollers’ association in Mexico, the CPCE-F, NASACT recently participated in a CPCE-F conference held in June. Representing NASACT were Kim Wallin, state controller of Nevada and president of the National Association of State Comptrollers, and David Von Moll, state comptroller of Virginia and vice-president of NASC. Executive Director Kinney Poynter also participated to represent NASACT.

The CPCE-F conference was held June 5-7. NASACT’s delegation gave a presentation on the morning of June 7 covering:

- Corruption: what can and is being done about it?
- Agency risk management and internal control standards.
- Interim financial reporting in the U.S.

Several representatives from the CPCE-F will be in attendance at the upcoming NASACT annual conference in Boston.

The NASACT/CPCE-F exchange is part of NASACT’s continuing efforts to promote government efficiency and accountability and to collaborate with other like-minded officials and organizations.

NASACT Members Compare Notes With Comptroller Counterparts in Mexico

From left to right: Javier Lara, translator; Kim Wallin, state controller of Nevada; C.P. Guillermo Huizar Carranza, controller of Zacatecas and National Coordinator of the CPCE-F; and David Von Moll, state comptroller of Virginia. Ms. Wallin, Mr. Von Moll and NASACT Executive Director Kinney Poynter gave a presentation on “Improving Public Accountability: Initiatives by State Comptrollers in the United States” at the CPCE-F conference on June 7.
New at www.nasact.org

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

• NASC technical inquiries on the following topics at www.nasact.org/nasc/technical/index.cfm (members only content):
  – ERP System for CAFR Preparation
  – Fringe Benefit Rate

• NSAA technical inquiries on the following topics at www.nasact.org/nsaa/technical/index.cfm (members only content):
  – Confidentiality of Workpapers and Draft Audit Reports
  – Business Tax Credits or Tax Incentive Programs
  – Transaction-Level Data from Local Governments
  – Access Student Info Under FERPA
  – Obtaining Data Using SSNs
  – Use of TeamMate in Performance Audits
  – Retirement System Audit
  – Audit of a Service Organization
  – Use of Auto Audit
  – Advertising RFP or IFB for Audit Services
  – Amnesty to Local Governments
  – Drug Testing Welfare Recipients
  – State-Level Single Audit Laws for Locals and Non-Profits
  – Overhead Administrative Support

• Observations from Gerry Boaz (TN) from the May 14-16 and June 25-27 meetings of the Governmental Accounting Standard Board at www.nasact.org/nasact/positions/GASB.cfm (members only content).

• NASACT’s response to proposed revisions to the 2013 SF-SAC at www.nasact.org.

• NSAA’s response to the American Institute of Certified Public Accountants’ exposure draft of a proposed statement on auditing standards “Using the Work of Internal Auditors” at www.nasact.org.

• A one-page summary from NASACT and other government groups on understanding new public pension funding guidelines and calculations at www.nasact.org.

NASACT Seeks a Host for the 2014 Middle Management Conference

Would your office be interested in hosting the 2014 NASACT Middle Management Conference? NASACT is currently seeking volunteers to host the event in April 2014. The commitment from hosts is minimal, involving the selection of an appropriate conference hotel and support of the event through attendance by staff at the conference.

Anyone interested in finding out more about hosting the conference may contact Sherri Rowland at srowland@nasact.org or Kim O’Ryan at koryan@nasact.org.

Call for Resolutions

Resolutions are currently being accepted for the upcoming business meetings of NASACT, NSAA and NASC. The business meetings will be held in conjunction with the 2013 NASACT Annual Conference in Boston on the following dates:

• NSAA Business Meeting: Monday, August 12
• NASC Business Meeting: Monday, August 12
• NASACT Business Meeting: Tuesday, August 13

Proposed resolutions should be emailed to Glenda Johnson at gjohnson@nasact.org.

Upcoming Information Sharing Calls

July
• NSAA Human Resources Information Sharing – July 31

August
• NSAA Performance Audit Information Sharing – August 1
• NASC Payroll Information Sharing – August 21
• NASC Travel and P-Card Information Sharing – August 28

October
• NSAA Human Resources Information Sharing – October 30

Get Involved!
For information on participating in any of these calls, contact NASACT’s headquarters office at (859) 276-1147.
NSAA Announces 2013-14 Committee Chairs

NSAA President Rebecca Otto, state auditor of Minnesota, has named leaders for NSAA’s 2013-14 committees. To see descriptions and member rosters, visit www.nasact.org/nsaa/committees/index.cfm. To indicate your interest in serving on a committee, email Sherri Rowland at srowland@nasact.org.

<table>
<thead>
<tr>
<th>Committees</th>
<th>Excellence in Accountability Awards</th>
<th>Single Audit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Chair: Paul Townsend (NV)</td>
<td>Chair: Dianne Ray (CO)</td>
</tr>
<tr>
<td>Executive</td>
<td>Vice-Chair: Tom Barnickel (MD)</td>
<td>Vice-Chair: Gerry Boaz (TN)</td>
</tr>
<tr>
<td>President: Rebecca Otto (MN)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual Meeting Program</td>
<td>Human Resources</td>
<td>Time and Place</td>
</tr>
<tr>
<td>Chair: Rebecca Otto (MN)</td>
<td>Chair: Rebecca Otto (MN)</td>
<td>Chair: Roger Norman (AR)</td>
</tr>
<tr>
<td></td>
<td>Vice-Chair: John Geragosian (CT)</td>
<td></td>
</tr>
<tr>
<td>Audit Standards and Reporting</td>
<td>Nominations</td>
<td>William R. Snodgrass Award</td>
</tr>
<tr>
<td>Chair: Randy Roberts (AZ)</td>
<td>Chair: William G. Holland (IL)</td>
<td>Rebecca Otto (MN)</td>
</tr>
<tr>
<td>Vice-Chair: Staci Henshaw (VA)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auditor Training</td>
<td>Peer Review</td>
<td></td>
</tr>
<tr>
<td>Chair: Courtney Carraway (NC)</td>
<td>Chair: Elaine Howle (CA)</td>
<td></td>
</tr>
<tr>
<td>Vice-Chair: Paula Kinnard (AR)</td>
<td>Vice-Chair: Deborah Loveless (TN)</td>
<td></td>
</tr>
<tr>
<td>E-Government</td>
<td>Performance Audit</td>
<td></td>
</tr>
<tr>
<td>Chair: Chloe Haidet (GA)</td>
<td>Chair: Steve Eells (NJ)</td>
<td></td>
</tr>
<tr>
<td>Vice-Chair: Karen Helderman (VA)</td>
<td>Vice-Chair: Paul Townsend (NV)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Resolutions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Chair: William G. Holland (IL)</td>
<td></td>
</tr>
</tbody>
</table>

Visit www.nasact.org/nsaa/committees/index.cfm to view committee rosters, meeting minutes and resources (minutes and resources are members only content).
Register Now for NASACT’s Next Webinar! The Pension Challenge: Critical Issues to Implementing the New GASB Pension Standards

The Governmental Accounting Standards Board’s new pension standards (Statements 67 and 68) pose serious implementation challenges for employers, pension plans, and auditors. For example, now that employers will be reporting their unfunded pension obligation as a liability, how can employers and their auditors obtain the assurance they need regarding the accuracy, verifiability, and reliability of the amount to be reported? How can employers participating in cost-sharing and agent multiple-employer plans and their auditors obtain reasonable assurance regarding each employer’s relative portion of the total net pension liability and total pension expense for all participating employers?

This webinar will discuss the most significant challenges to implementing the new pension standards, the implementation progress of governments to date, and the potential implications to auditor opinions on financial statements of employer governments that are not able to obtain sufficient audit assurance on the pension amounts.

Join Jeff Markert, CPA, KPMG, and Greg Driscoll, CPA, KPMG, for this informative two-hour training session.

Participants may ask questions and share experiences during the last 25 minutes of the audio conference.

This webinar is presented by NASACT in conjunction with the Association of Government Accountants and the Association of Local Government Auditors.

The Pension Challenge: Critical Issues to Implementing the New GASB Pension Standards

When? Wednesday, August 7, 2:00 - 3:50 p.m. ET
CPE: Two credits
Cost: $299.00 per group (unlimited attendance) or $50 per person
Register: Register at www.nasact.org

Compliance Supplement Released

The U.S. Office of Management and Budget has released the final 2013 Compliance Supplement. It can be found at www.whitehouse.gov/omb/circulars/a133_compliance_supplement_2013 or www.whitehouse.gov/omb/financial_fin_single_audit. Questions about the Compliance Supplement may be directed to Gil Tran at OMB at Hai_M_Tran@omb.eop.gov.

U.S. Treasury Releases First “Annual Report to the States on TOP’s Delinquent Debt

The U.S. Department of the Treasury’s Bureau of the Fiscal Service recently released its FY 2012 Annual Report to the States on the Treasury Offset Program’s (TOP) Delinquent Debt Collection. The report details each state’s success in collecting delinquent debts through a unique partnership with the federal government.

TOP is used to intercept eligible federal and state payments to delinquent debtors, in accordance with the Debt Collection Improvement Act of 1996 and other legal authorities. Federal law requires state agencies to send a notice to a delinquent debtor at least 60 days before submitting a debt to TOP. The notice must explain how the debtor may dispute a debt or enter into a repayment plan.

Due to a strong federal-state partnership, TOP recovered $6.2 billion for federal and state agencies, including $2.2 billion in delinquent child support debts, $560 million in outstanding state income tax obligations, $133 million in unemployment insurance claims, and $53.8 million in other debts owed to states in FY 2012. Since the implementation of TOP in 1997, the fiscal service has collected more than $68 billion for federal and state agencies, including $31.8 billion for participating states, at relatively small cost to the federal government.

Robert H. Atmore Passes GASB Torch to New Chairman David A. Vaudt

David A. Vaudt assumed his new role as chairman of the Governmental Accounting Standards Board on July 1 replacing now former Chairman Robert H. Atmore, who retired from the GASB on June 30 after nine years on the Board.

Mr. Vaudt is serving a single, seven-year term as chairman. He had served as Iowa’s constitutionally elected auditor of state since January 2003 until stepping down in April to accept the appointment as chairman of the GASB.

To view a video of Mr. Vaudt discussing his initial priorities as chairman, visit www.gasb.org and click on the podcast link under the heading “FAF President & CEO Introduces FASB and GASB Chairs.”

GASB Issues ED on Measurement of Financial Statement Elements, PV on Fair Value Measurement and Application

The GASB recently approved for issuance the exposure draft Measurement of Elements of Financial Statements and the preliminary views document Fair Value Measurement and Application. The comment deadline is September 30 for both documents.

The ED proposes new accounting concepts for the measurement of assets and liabilities. It is intended to lead to the issuance of a final Statement of Governmental Accounting Concepts. The PV proposes new accounting standards regarding which assets and liabilities should be measured at their “fair value,” how that value should be determined, and what note disclosures should be included with fair value measures.

Measurement Concepts

GASB concepts statements are intended to provide a conceptual framework of interrelated objectives and fundamental concepts that can be used as a basis for establishing consistent accounting and financial reporting standards. Measurement concepts primarily will guide the Board’s decisions regarding how to determine the dollar amount that will be reported for assets, liabilities, and other financial statement elements. Establishing these measurement concepts, then, builds a foundation upon which to portray both a government’s financial health as of a certain date and its financial activities during a certain period. The proposed concepts statement addresses both measurement approaches and measurement attributes.

Measurement Approaches. A measurement approach determines whether an asset or liability presented in a financial statement should be (1) reported at an amount that reflects a value at the date that the asset was acquired or the liability incurred, or (2) remeasured and reported at an amount that reflects a value at the date of the financial statements.

The proposed concepts statement sets out two measurement approaches:

• Initial-Transaction-Date-Based Measurement (Initial Amount): The transaction price or amount assigned when an asset was acquired or a liability was incurred, including subsequent modifications to that price or amount.
• Current-Financial-Statement-Date-Based Measurement (Remeasured Amount): The amount assigned when an asset or liability is remeasured as of the financial statement date.

The Board believes that proposing two measurement approaches will maximize the ability of accounting standards to meet the objectives of financial reporting and achieve balance among the qualitative characteristics (understandability, reliability, relevance, timeliness, consistency, and comparability) exhibited by the information governments are required to report.

Measurement Attributes. A measurement attribute is the feature or characteristic of the asset or liability that is being measured. The proposed concepts statement sets out four measurement attributes:

• Historical cost is the price paid to acquire an asset or the amount received pursuant to the incurrence of a liability in an actual exchange transaction.
• Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
• Replacement cost is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the measurement date.
• Settlement amount is the amount at which an asset could be realized or a liability could be liquidated with the counterparty, other than in an active market.

Fair Value Measurement and Application

It is the Board’s preliminary view that the fair value of an asset or liability should be defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The objective of a fair value measurement would be to estimate the exit price of assets and liabilities using observable or unobservable inputs.

Fair Value Measurements. In a fair value measurement, the sale of an asset or transfer of a liability would be expected to take place in the principal market or, in the absence of a principal market, in the most advantageous market to which a government has access.

(continued, next page)
If fair value measurements were applied to nonfinancial assets, those assets would be valued based on their highest and best use, which would take into account the best use of the asset that is physically possible, legally permissible, and financially feasible. (It should be noted, however, that the GASB is not proposing to measure nonfinancial assets at fair value.) Fair value also may apply to certain liabilities, such as an interest rate swap that is in a liability position to a government.

The measurement techniques used to estimate the fair value of an asset or liability should be consistent with one or more of three valuation approaches—market, cost, and income. The market approach would use prices and other relevant information generated by market transactions involving identical or similar assets, liabilities, or a group of assets and liabilities. The cost approach would reflect the amount that would be required currently to replace the service capacity of an asset. The income approach would convert future amounts to a single discounted amount.

A government would be permitted, as a practical expedient, to estimate the fair value of an investment that does not have a readily determinable fair value using the net asset value per share (or its equivalent) of the investment. This expedient would be available if the net asset value per share of the investment (or its equivalent) is calculated in a manner consistent with the measurement principles for investment companies as of the government’s measurement date.

To increase consistency and comparability in fair value measurements and related disclosures, it is the Board’s preliminary view that a fair value hierarchy should be established that would categorize the inputs to valuation techniques used to measure fair value into three levels (Level 1, 2, or 3). The highest priority would be given to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Level 2 inputs would be other-than-quoted prices that are observable for the asset or liability, either directly or indirectly. Quoted prices obtained from third parties, such as pricing services or brokers, would be allowed if a government has determined that the quoted prices provided by those parties are developed in accordance with the preliminary views described in this document.

**Application of Fair Value to Assets and Liabilities.** It is the Board’s preliminary view that investments generally should be measured at fair value. The Board’s preliminary view is that an investment should be defined as a security or other asset that a government holds primarily for the purpose of income or profit and the present service capacity of which is based solely on its ability to generate cash, to be sold to generate cash, or to procure services for the citizenry.

Certain investments would be excluded from measurement at fair value and would continue to be measured according to existing GASB standards. This would include investments in 2a7-like external investment pools, investments in money market instruments with remaining maturity at time of purchase of one year or less, investments in certain life insurance policies, investments in common stock that are eligible for the equity method, and investments in nonparticipating interest-earning investment contracts.

Finally, it is the Board’s preliminary view that the measurement requirements for donated capital assets should be revised. The Board proposed that donated capital assets currently measured at fair value would be measured at acquisition value. Acquisition value represents the price that would be paid for acquiring similar assets having similar service capacity. Likewise, acquisition value would replace fair value measurements for donated works of art, historical treasures, and similar assets; capital assets received in a service concession arrangement; and nonmonetary assets acquired in an exchange when the value of the asset received is used to measure the cost of the asset acquired.

**Disclosures.** The PV addresses fair value disclosures in the notes to the financial statements, including the required level of detail. The Board believes the following disclosures would be essential to understanding the financial position of a government:

- For recurring and nonrecurring fair value measurements:
  1. The fair value measurement at the end of the reporting period.
  2. The level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (Level 1, 2, or 3).
  3. A description of the valuation techniques and the inputs used in the fair value measurement.
- For recurring fair value measurements within Level 3 only, a narrative description of the sensitivity of fair value measurements to changes in unobservable inputs.
- For nonrecurring fair value measurements, the reasons for the measurement.
- For investments in entities that calculate a net asset value per share or its equivalent, information that helps users understand the nature and risks of the investments and whether the investments are likely to be sold at amounts different from net asset value per share.

**How to Provide Feedback on the Proposals**

The ED and PV may be downloaded free of charge from the GASB website, www.gasb.org. The comment deadline for both documents is September 30. In addition, the GASB has scheduled a public hearing on the documents for November 1, 2013. The deadline for providing written notice of intent to participate in the public hearing is September 30.

**GASB Issues Exposure Draft Addressing Pension Transition Issue**

GASB recently issued an ED addressing the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The proposal would eliminate a potential source of understatement of restated beginning net position and...
News From Around the Nation

Tim Berry Named Indiana GOP Chairman

Tim Berry, Indiana’s auditor of state, was recently selected by Gov. Mike Pence to lead the Indiana Republican Party as its new chairman. On Monday, July 22, the Indiana Republican Party unanimously approved Mr. Berry for the position.

Mr. Berry is in his second term serving as the elected auditor of state (comptroller function) in his state. He previously served two terms as Indiana’s elected state treasurer.

Mr. Berry was awarded the 2005 Jesse Unruh award, given to the nation’s most outstanding state treasurer. Additionally, he was presented the 2003 Presidential Award of Excellence by the Association of Public Safety Officials, and he was the recipient of the American Heart Association’s “Heartsaver Award.” He served as president of the National Association of State Treasurers and chair of the National College Savings Plans Network.

Mr. Berry’s replacement will be named by Gov. Pence in coming weeks.

In Memoriam: Bill Hansell

William H. Hansell Jr., executive director of the International City/County Management Association from 1983 to 2002, died on June 4, 2013. He had nearly 50 years of experience in public service. Expressions of sympathy should be sent to the Hansell family at 2545 Gracie Lane, Macungie, PA 18062. The Hansell family and ICMA have created a Hansell Fund to provide scholarships for professional development opportunities. Contributions should be made out to the ICMA Hansell Fund “In Memory of Bill Hansell” written in the memo line and sent to ICMA, Attn.: ICMA Hansell Fund, 777 N. Capitol Street, N.E., Ste. 500, Washington, D.C. 20002-4201.

GASB Update (continued from previous page)

expense in a government’s first year of implementing Statement 68.

To correct this potential understatement, the proposed statement would require a government, when transitioning to the new pension standards, to recognize a beginning deferred outflow of resources for its pension contributions made during the time between the measurement date of the beginning net pension liability and the beginning of the initial fiscal year of implementation. This amount would be recognized regardless of whether it is practical to determine the beginning amounts of all other deferred outflows of resources and deferred inflows of resources related to pensions.

The provisions would be effective simultaneously with the provisions of Statement 68, which is required to be applied in fiscal years beginning after June 15, 2014.

The ED is available at www.gasb.org. The deadline for commenting is August 26, 2013.

***

The GASB Update is provided bi-monthly by the Governmental Accounting Standards Board.

Diane Langham Joins NASC Executive Committee

Diane Langham, fiscal management director of the Mississippi Department of Finance and Administration, is the newest member of the NASC Executive Committee. Ms. Langham joins the committee to fill a vacancy caused by the retirement of David McDermott, former state controller of Colorado.

To see committee meeting minutes, visit www.nasact.org/nasc/committees/executive/index.cfm (members only content).

NASACT Seeks Member Input on GASB Documents

NASACT will be preparing association positions on the following documents issued by the Governmental Accounting Standards Board:

- **Exposure Draft, Pension Transition for Contributions Made Subsequent to the Measurement Date** (GASB response deadline: August 26, NASACT response deadline: August 5)
- **Preliminary Views, Fair Value Measurement and Application** (GASB response deadline: September 30, NASACT response deadline: September 6)
- **Exposure Draft, Measurement of Elements of Financial Statements** (GASB response deadline: September 30, NASACT response deadline: September 6)

To participate in NASACT’s responses, email your comments to Kim O’Ryan (koryan@nasact.org) or Sherri Rowland (srowland@nasact.org).
2013 Calendar of Events
Register for these events at www.nasact.org.

2013

August 7  ■  Webinar: “The Pension Challenge: Critical Issues to Implementing the New GASB Pension Standards”
August 11 ■  NASACT Executive Committee Meeting, Boston, MA
August 10-14 ■  NASACT Annual Conference, Boston, MA
September 30-October 3 ■  NSAA IT Workshop and Conference, Raleigh, NC

2014

March 11 ■  NASACT Executive Committee Meeting, Reno, NV
March 12-14 ■  NASC Annual Conference, Reno, NV
June 10-13 ■  NSAA Annual Conference, Saint Paul, MN
August 9-13 ■  NASACT Annual Conference, Santa Fe, NM

NASACT Announces 2013–14 Corporate Associate Program Members
By Donna Maloy, Conference Manager

NASACT wishes to thank our 2013–14 Corporate Associates Program members. These corporate partners are a valuable part of our organization. They not only provide financial support to the organization, but also their experience and expertise. To find out more about any of our Corporate Associates Program members, visit www.nasact.org/nasact/corporate/index.cfm.

Platinum Level
■ Accenture  ■ CGI  ■ Oracle Corporation

Gold Level
■ Deloitte  ■ Grant Thornton  ■ Microsoft

Silver Level
■ Bank of America Merrill Lynch  ■ Bronner Group
■ CherryRoad Technologies, Inc.  ■ IBM
■ ISG (Information Services Group)  ■ Kaye Scholer, LLP
■ KPMG  ■ Kronos
■ MasterCard  ■ Navigant Consulting
■ SAP  ■ Visa
■ Workday

Bronze Level
■ Citi  ■ Ernst & Young, LLP
■ Infor  ■ JP Morgan
■ MAXIMUS  ■ McGladrey, LLP
■ Sovereign Bank  ■ Standard & Poor’s
■ The Hackett Group  ■ Verus Financial

NASACT News
JULY 2013

R. Kinney Poynter
Executive Director

Cornelia Chebinou
Washington Office Director

Glenda Johnson
Communications Manager

National Association of State Auditors, Comptrollers and Treasurers

Headquarters Office
449 Lewis Hargett Circle, Suite 290
Lexington, KY 40503-3590
P (859) 276-1147, F (859) 278-0507

Washington Office
444 N. Capitol Street, NW, Suite 234
Washington, DC 20001
P (202) 624-5451, F (202) 624-5473

Online
www.nasact.org

NASACT Officers

Martin J. Benison
President
Comptroller, Massachusetts

James B. Lewis
First Vice President
State Treasurer, New Mexico

William G. Holland
Second Vice President
Auditor General, Illinois

Calvin McKelvogue
Secretary
Chief Operating Officer
State Accounting Enterprise, Iowa

Richard K. Ellis
Treasurer
State Treasurer, Utah

The next issue of NASACT News will be published in August 2013. To submit articles, photos or ideas, contact Glenda Johnson by August 16 at gjohnson@nasact.org or phone at (859) 276-1147.