NASACT’s Executive Committee to Meet in Reno This March

NASACT’s Executive Committee will hold its next meeting on Tuesday, March 11 from 8:00 a.m. through 12:00 noon Pacific time. The meeting will be held in Reno, Nevada, in conjunction with the 2014 annual conference of the National Association of State Comptrollers. The Executive Committee will hear reports from NASACT’s strategic and administrative committees (recent committee activities are highlighted below).

Annual Conference Committee
Chaired by President James B. Lewis, state treasurer of New Mexico, this committee is beginning to develop the technical agenda for the upcoming 2014 NASACT Annual Conference, scheduled for August 9-13 in Santa Fe. The annual conference topics survey will be sent to members soon.

Committee on Accounting, Reporting and Auditing (CARA)
Co-chaired by Alan Skelton, state accounting officer in Georgia, and Randy Roberts, from the Arizona Office of the Auditor General, the CARA continues its regularly scheduled quarterly conference calls to discuss general accounting issues. A sub-group of the committee, the Pension Standards Implementation Work Group, continues to assist states as they implement GASB’s pension standards. The work group is chaired by Greg Griffin, state auditor of Georgia.

Financial Management and Intergovernmental Affairs Committee (FMIAC)
Currently chaired by David Lillard, state treasurer of Tennessee, the FMIAC is following regulatory and congressional initiatives including the following:

- Tax reform.
- Recent activities of the U.S. Securities and Exchange Commission (including a final rule on municipal advisors and a proposal on regulation of money market funds, both of which could have a significant impact on the efficient operation of the municipal market).
- Final grant reform guidance from the U.S. Office of Management and Budget.
- Issues surrounding the implementation of the Affordable Care Act.
- Legislation concerning transparency and accountability in federal funding.
- Federal efforts to reduce the deficit and their potential impact on state government.

The committee has also established an Interim Disclosures Implementation Work Group to assist in implementing ten best practices for voluntary interim financial reporting. The best practices were presented in the white paper Voluntary Interim Financial Reporting: Best Practices for State Governments, which was issued in August 2013. The work group is co-chaired by Colin McNaught, assistant treasurer for debt management from Massachusetts, and Alan Skelton, state accounting officer in Georgia. The work group will be reviewing the best practices (article continued, next page)

NASACT Continues and Expands Travel Assistance Program in 2014

The NASACT Travel Assistance Program is open to members in good standing and to all new state auditors, comptrollers or treasurers. The benefit may be used by the principal member or his or her designee.

2014 NASC Annual Conference – March 12-14, Reno, Nevada
• Comptrollers (or their designees) are eligible for up to $750 in travel assistance.

2014 NSAA Annual Conference – June 10-13, Saint Paul, Minnesota
• Auditors (or their designees) are eligible for up to $750 in travel assistance.

2014 NASACT Annual Conference – August 9-13, Santa Fe, New Mexico
• Travel assistance to the NASACT conference has been expanded this year! State auditors, comptrollers and treasurers (or their designees) will receive up to $2,000 in travel assistance.
Executive Committee (continued from page 1)

and identifying several states to pilot the recommendations. The work group’s goal will be to develop helpful materials and checklists for other states that are working toward augmenting their existing disclosure practices.

Membership Committee

Chair by Anna Maria Kiehl, state comptroller of Pennsylvania, the committee will review a list of new members and detail outreach efforts planned for the spring and summer.

Association Administration

In addition to hearing reports from strategic committees, the Executive Committee will hear from NASACT’s administrative committees: Personnel, Budget, Strategic Plan and Time and Place. These committees are responsible for various aspects of the management of the association.

• **Personnel:** Chaired by President Lewis, the committee will present personnel and salary recommendations for 2014 for review and approval.

• **Budget:** Chaired by Debbie Davenport, auditor general of Arizona, the committee will present a draft FY 2015 budget for review and approval.

• **Strategic Plan:** The committee is chaired by William G. Holland, auditor general of Illinois. The committee recently distributed the 2014 Membership Satisfaction Survey to members. The committee will present the results of the survey. Additionally, the committee will make recommendations based on a benefits study and for a new logo for the association.

• **Time and Place:** Chaired by Calvin McKelvogue, chief operating officer of Iowa’s State Accounting Enterprise, the committee will recommend a location for the 2016 NASACT Annual Conference.

More Information

A synopsis of the March NASACT Executive Committee meeting will be available in the April issue of *NASACT News*. Past meeting minutes are available to members at www.nasact.org/nasact/committees/executive/index.cfm; a complete Executive Committee roster is also available at this link.
State Comptrollers Will Hold Annual Meeting in March

By Kim O’Ryan, NASC Association Director

The National Association of State Comptrollers will hold its thirty-third annual conference in Reno, Nevada, on March 12-14, 2014. David Von Moll, state comptroller of Virginia, chairs the Program Committee, which is working to develop a program to meet the needs and interests of respondents to the NASC conference topics survey.

The program will include a state budget update from Scott Pattison, executive director of the National Association of State Budget Officers. Representatives from the Governmental Accounting Standards Board are scheduled to provide a GASB update. Norman Dong, deputy controller of the Office of Federal Financial Management, U.S. Office of Management and Budget, has been invited to discuss OMB’s recent activities, and Jim Dalkin, director with the U.S. Government Accountability Office, will discuss GAO’s Green Book. Additional sessions will also feature pension accounting, e-procurement, an aging workforce, ethics and the workplace, Big Data, security, ERP, internal controls, and other relevant topics. The program will also include a roundtable each day of the conference (see below for topics).

Hotel and Registration

The conference hotel is the Grand Sierra Resort. The special negotiated room rate is $69/night for Grand Sierra rooms and $89/night for Summit rooms (single or double occupancy) plus applicable taxes. The cut-off date to receive this rate is February 24, 2014. After this date, rooms will be offered on a space-and rate-available basis only. To book, call (800) 501-2651 and reference the NASC Annual Conference.

Please visit www.nasact.org to find more information about the hotel or to register.

GASAC to Meet in Conjunction With NASC

The Governmental Accounting Standards Advisory Council will meet on March 11-12 in conjunction with the conference. Those interested in observing part of the GASAC meeting should email Greta DeAngelis at GASB at ghdeangelis@gasb.org.

Questions?

Questions about the program may be directed to Kim O’Ryan (koryan@nasact.org); questions about the hotel may be addressed to Donna Maloy (dmaloy@nasact.org). ■

NASC 2014 Schedule of Events

**Tuesday, March 11**
- NASC Executive Committee
- NASC Committee on Accounting and Financial Reporting
- NASC Executive Committee

**Wednesday, March 12**
- Conference Sessions
- Comptroller’s Roundtable–Federal/State Issues:
  - Effects of the federal government shutdown
  - Offsetting federal receivables
  - The impacts of ACA on state government
  - Section 218 agreements
  - Treasury Offset Program

**Thursday, March 13**
- Conference Sessions
- Comptroller’s Roundtable–Operational Effectiveness:
  - Pension reporting issues – GASB 67&68
  - ERP upgrade decisions
  - Centralized accounting
  - CAFR technical training
- NASC Business Meeting

**Friday, March 14**
- Conference Sessions
- Comptroller’s Roundtable–General Topics:
  - Transparency websites & security
  - State payment cards
  - Changing technology & a multi-age workforce

Travel Assistance

Up to $750 of travel assistance will be made available to state comptrollers or their designees (members in good standing or new state comptrollers) to attend. Reimbursements will be made following the conference.

Call for Resolutions

Resolutions for consideration at the NASC annual conference should be sent to Resolutions Committee Chair Ed Ross (KY) at edc.ross@ky.gov or Kim O’Ryan at koryan@nasact.org. Please send resolutions by Friday, February 21.

Call for Roundtable Topics

Suggested topics are still being accepted for the three roundtable sessions. Please email topics to Kim O’Ryan at koryan@nasact.org by Friday, February 28.
OMB Issues Final Guidance on Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

On December 26 the U.S. Office of Management and Budget released long-anticipated final guidance implementing changes to uniform administrative requirements, costs principles, and audit requirements for federal awards. The final guidance is a result of previously circulated ideas and requests for comment distributed in the springs of 2012 and 2013 as well as efforts by a series of OMB work groups covering improper payments, single audit and cost circulars. Several NASACT members participated in the work groups and in ongoing communications related to the effort.

The final guidance amends existing grant policy guidance and specifically covers three areas: administrative requirements, cost principles and single audit. Some of the more noteworthy changes are outlined below.

Administrative Requirements
- Consolidates the requirements of A-102 and A-110 into one document.
- Requires pre-award consideration based on a proposal’s merit and applicant’s financial risk.
- Requires agencies to leave open the notice of funding opportunity for at least 60 days.
- Provides a standard format for funding announcements.
- Provides a standard set of data elements to be provided in all federal awards.
- Requires recipients to have internal controls that comply with both the Internal Control Integrated Framework issued by COSO and Federal Government Standards for Internal Control, also known as the Green Book.

Cost Principles
- Requires pass-through entities to provide an indirect cost rate to recipients.
- Creates a minimum 10 percent rate for non-federal entities that have never had a negotiated indirect cost rate.
- Provides an option to extend negotiated rates for four years.
- Requires federal agencies to accept negotiated indirect cost rates unless an exception is required by statute or regulation, or approved by a federal awarding agency head or delegate based on publicly documented justification.
- Provides flexibility for time and effort reporting (salaries and wages) while maintaining strong internal controls.
- Provides that budgeting for contingency funds with a federal award for IT systems is allowed.
- Allows for idle capacity in data centers.

Audit Requirements
- Raises the audit threshold from $500,000 to $750,000.
- Requires publication of single audit reports online.
- Changes the section on major program determination by focusing audits on the areas with internal control deficiencies that have been identified as material weaknesses.
- Sets standards for auditors to provide sufficient audit documentation.
- Clarifies language for determining a low-risk auditee.
- Increases the minimum threshold for questioned costs from $10,000 to $25,000.
- Streamlines the types of compliance requirements from 14 to seven (this change will be forthcoming in the 2015 Compliance Supplement).
- Explicitly requires federal agencies or pass-through entities to review the Federal Audit Clearinghouse for existing audits submitted by the entities and to rely on those to the extent possible prior to commencing an additional audit.
- Requires agencies to designate a senior accountable official for overseeing effective use of the single audit tool and implementing metrics to evaluate audit follow-up.
- Strengthens audit follow-up by federal agencies by utilizing tools such as cooperative audit resolution practices.

The guidance is applicable to federal agencies on December 26, 2014. The federal agencies are required to draft and forward conforming changes to OMB by June 2014. OMB will then work with those federal agencies on a uniform roll-out to meet the December 26, 2014 compliance deadline for non-federal entities. Any non-federal entity who receives a new award or who draws down funds on existing awards after December 26, 2014 is required to follow the new guidance. Audit requirements are applicable to fiscal years beginning on or after December 26, 2014.

The guidance document and supplementary materials can be found at www.whitehouse.gov/omb/grants_docs.
SEC Issues Interpretive Guidance on Municipal Advisor Registration

The U.S. Securities and Exchange Commission’s Office of Municipal Securities has issued interpretive guidance regarding questions raised by market participants on implementation of the recently released SEC rule on municipal advisor registration. The release states that the views are those of the staff and have not been approved or disapproved by the Commission.

On September 20 the Commission adopted final rules for municipal advisor registration. Although the final rules do interpret the statutory definition of municipal advisor and the exclusions and exemptions from that definition, the scope of the limitations and exclusions are limited to certain identified activities rather than the status of a particular market participant. Therefore, the newly-released guidance seeks to address questions related to the advice standard and exemptions that were not clear in the final rules.

The focus of whether an individual is giving advice, and therefore subject to municipal advisor registration in the final rule, concerns whether or not under all relevant circumstances the information presented to a municipal entity or obligated person is sufficiently limited so that it does not involve a recommendation.

The guidance, written as frequently asked questions, addresses the following information on advice and exclusions from advice:

- The advice standard, including the general information exclusion, the treatment of business promotional materials used by underwriters, and the effect of disclaimers.
- The request for proposals/request for qualifications exemption, including the parameters and formality of the RFP/RFQ process.
- The independent municipal advisor exemption.
- The registered investment adviser exclusion.
- The underwriter exclusion, including engagements as underwriters and switching roles from municipal advisor to underwriter.
- Issuance of municipal securities and post-issuance advice (continuing disclosure filings).
- Remarketing agent services.
- Opinions by citizens in public discourse, the effective date of the final rules, and the compliance period for using the final registration forms.


In addition, the SEC recently issued a notice to extend the effective date for compliance with the SEC final rule on municipal advisor until July 1, 2014.

MSRB Requests Comment on Duties of Non-Solicitor Municipal Advisors

The Municipal Securities Rulemaking Board has issued a request for comment on standards of conduct and duties of municipal advisors engaging in municipal advisor activities other than undertaking solicitations. The Dodd-Frank Act provides MSRB with broad rulemaking authority over municipal advisors and their activities and the authority to protect municipal entities and obligated persons.

In September, the U.S. Securities and Exchange Commission issued final rules that, among other things, defines municipal advisor, establishes a permanent registration regime and sets forth basic recordkeeping requirements. The SEC does not, however, define a municipal advisor’s fiduciary duty or other standards of conduct of a municipal advisor. Keeping this in mind, the MSRB is proposing a regulatory framework for municipal advisors and is seeking comment on Rule 42, which establishes core standards of conduct and duties of municipal advisors other than when they are engaging in solicitation activities, and on amendments to Rules G-8 and G-9 regarding recordkeeping.

Although Dodd-Frank specifically establishes that a municipal advisor owes a fiduciary duty to a municipal entity clients, such duty is not specifically set forth for obligated persons. Therefore, in the draft of Rule 42, MSRB distinguishes between the duty of care owed to an obligated person and the fiduciary duty owed to a municipal entity. The rule provides guidance on the meaning of duty of care and duty of loyalty, both of which are considered conduct making up a fiduciary duty. The MSRB is specifically seeking comment on whether application of the fiduciary duty should extend to all of a municipal advisor’s clients and not just municipal entity clients.

In addition to covering duty of loyalty and duty of care in a municipal advisor’s conduct, Draft Rule 42 requires a municipal advisor to disclose to clients conflicts of interest and certain other information. The draft rule also provides a non-exhaustive list of items that would require disclosure. The draft rule also requires that the advisor document the relationship and that certain key terms and disclosures be included in the documentation.

Included in the draft of Rule 42 is supplementary information to be used as guidance in things such as duty of care, responsibilities when a client pursues action outside or contrary to a municipal advisor’s advice, limitations on the advisory engagement, requirements on providing disclosures to investors, suitability of recommendations, and knowing one’s client.

Amendments to Rules G-8 and G-9 reference the SEC requirement on recordkeeping. Amendments to G-8 would also list additional recordkeeping requirements necessary based on draft Rule 42. Rule G-9 would be amended to require advisors to preserve records for five years or more.

A copy of Draft Rule 42 on Duties of Non-Solicitor Municipal Advisors can be obtained at www.msrb.org/~/media/Files/Regulatory-Notices/RFCs/2014-01.aspx?n=1. Comments are due by March 10 and may be submitted at www.msrb.org/CommentForm.aspx.
**DHS Announces Phase-In Schedule for REAL ID**

The Department of Homeland Security has released a schedule for the phased-in enforcement of the REAL ID Act of 2005 for driver’s licenses and identification cards.

The REAL ID Act requires that the federal government set standards for the issuance of sources of identification, such as driver’s licenses. The act establishes minimum security standards for state-issued driver licenses and identification cards and prohibits federal agencies from accepting for official purposes those documents unless DHS determines that the state meets the minimum standards. According to DHS, states have already successfully implemented more than 70 percent of the standards.

The federal government will begin phasing in enforcement of the REAL ID Act this month as required by law. The first phase began on January 20 and is limited to DHS headquarters in Washington before expanding to other federal facilities later this year. The fourth phase covers acceptable IDs that can be used for boarding a federally regulated commercial aircraft. The date for implementing Phase 4 will be set after DHS has conducted an implementation evaluation and will occur no sooner than 2016.

Twenty-one states have already met the act’s minimum standards: Alabama, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Iowa, Indiana, Kansas, Maryland, Mississippi, Nebraska, Ohio, South Dakota, Tennessee, Utah, Vermont, Wisconsin, West Virginia, and Wyoming.

DHS has granted extensions to 20 states and territories that have provided information demonstrating that they are on the pathway towards achieving full compliance: Arkansas, California, District of Columbia, Guam, Idaho, Illinois, Michigan, Missouri, New Hampshire, Nevada, North Carolina, North Dakota, Oregon, Pennsylvania, Puerto Rico, Rhode Island, South Carolina, Texas, U.S. Virgin Islands, and Virginia. DHS will continue to work with these states in support of efforts to reach compliance and to qualify for extensions.

Of note for travelers, the Transportation Security Administration will continue to accept driver’s licenses and state-issued identification cards from all jurisdictions until at least 2016. DHS announced that it will ensure that the public has ample advanced notice before identification requirements for boarding aircraft are changed.

Detailed information on the phased enforcement schedule, answers to frequently asked questions, and a list of states that are (1) compliant, (2) receiving temporary extensions, or (3) subject to enforcement by federal agencies, may be found on the DHS website at www.dhs.gov/secure-drivers-licenses.

**IRS Will Hold Free Webinar on Employee Benefits**

The Internal Revenue Service’s Office of Federal, State and Local Governments will host a free webinar on February 6 at 2:00 p.m. Eastern to discuss employee benefits.

Specifically, the webinar will cover:

- Reporting requirements for accountable plans vs. non-accountable plans.
- Whether allowances are taxable fringe benefits.
- Reporting requirements for group term life insurance.
- “Day meals” – what are they and if they are taxable.
- When stipends, bonuses, and gift cards are taxable fringe benefits.

The IRS is offering one hour of continuing education credit for this event. Please note to receive the credit you must attend at least 50 minutes of the presentation.

To register for this free event, visit www.visualwebcaster.com/IRS/97598/reg.asp?id=97598.

**MSRB Seeks Board Applicants**

The Municipal Securities Rulemaking Board is seeking qualified applicants to fill seven positions on the board beginning on October 1, 2014. The MSRB, which regulates the $3.7 trillion municipal securities market, is governed by a board that sets the strategic direction of the organization, makes policy decisions, authorizes rulemaking and market transparency initiatives, and oversees MSRB operations.

Members of the 21-member MSRB board represent the public as well as regulated municipal securities dealer and municipal advisor industries. The MSRB is seeking to appoint three public members and four regulated members, one of whom must be a municipal advisor. Applicants representing regulated entities must be affiliated with a broker-dealer, bank or municipal advisor registered with the MSRB. Applicants representing the public must not be affiliated with municipal securities dealers or municipal advisors. All applicants must be knowledgeable on matters related to the municipal securities market. MSRB Rule A-3 on board membership discusses the nomination and election process, including provisions about eligibility and requirements.

To be considered for a position on the MSRB board of directors, submit an application at www.msrb.org/About-MSRB/Governance/MSRB-Board-of-Directors/Board-of-Directors-Application-Instructions.aspx. Applications must be submitted by February 24, 2014. Questions may be directed to Sara Majroh, assistant corporate secretary and board administrator, MSRB, at (703) 797-6754 or smajroh@msrb.org.

NASACT member and Utah State Treasurer Richard K. Ellis currently serves on MSRB’s board.
The following new items have been posted on NASACT’s website:

- NSAA technical inquiries on the following topics at www.nasact.org/nsaa/technical/index.cfm (members only content):
  - Reporting Processes
  - Monitoring Independence of External Audit Firms
  - Access to SSA Death Master File
  - Audits of Vendors Receiving Public Funds
  - Database of Local Government Financial Information
  - Regulatory Basis Financial Statements: Dual Opinions
  - Marketing Promotional Information for State Audit Offices
  - Comparative Information for CAFR and Single Audit
  - Bond Premiums
  - Statewide Single Audit
  - Audit of Office of IT Services

- NASC technical inquiry on the following topic at www.nasact.org/nasc/technical/index.cfm (members only content):
  - Board and Commission Members

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The NSAA Excellence in Accountability Awards Committee is now accepting submissions for the 2014 Excellence in Accountability Awards.

Awards will be given in four categories:

1. Performance audits (large – 2,500 audit hours or more).
2. Performance audits (small – less than 2,500 audit hours).
3. Forensic reports.
4. Special projects.

Submissions are due by 5:00 p.m. Eastern time on Friday, February 28, 2014. Award winners will be recognized at the NSAA annual conference in June in Saint Paul, Minnesota. To download the award submission instructions, go to www.nasact.org/nsaa/awards_recognition/criteria.cfm.

NSAA is also currently seeking volunteers to help in the judging process for the Excellence in Accountability Awards. Judges can be NSAA principals or their designees. The rewards of participating as a judge include:

- Learning more about your state audit counterparts.
- Participating in an effort that improves the public’s perception of state auditing and its results.
- Continuing the tradition of excellence that NSAA promotes and practices.

Please note that judges are not eligible to submit an entry in a category in which they are participating as a judge. To volunteer as a judge, contact Sherri Rowland at srowland@nasact.org or (859) 276-1147.

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Upcoming Information Sharing Calls

**January 2014**
- NSAA HR Information Sharing Group – January 29

**February 2014**
- NASC Payroll Information Sharing Group – February 12
- NSAA Pension Audit Issues Task Force – February 13
- NASC Travel and P-Card Information Sharing Group – February 19
- NASACT Pension Standards Implementation Work Group – February 25

**April 2014**
- NSAA HR Information Sharing Group – April 30

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Get Involved!
For information on participating in any of these calls, contact NASACT’s headquarters office at (859) 276-1147.
GASB Statement Resolves Pension Transition Issue

The Governmental Accounting Standards Board recently approved and issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The statement, which addresses the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions, eliminates a potential source of understatement of beginning net position and expense in a government’s first year of implementing Statement 68.

Specifically, the issue relates to amounts associated with contributions made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability.

Statement 68 requires an employer or nonemployer contributing entity to recognize a net pension liability measured as of a date no earlier than the end of its prior fiscal year—the “measurement date.” If an employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government’s reporting period, Statement 68 requires that the contribution be recognized as a deferred outflow of resources until the following period, at which point it is recognized as a part of pension expense.

Statement 68 also requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts for all deferred outflows of resources and deferred inflows of resources, a provision in Statement 68 requires the beginning balances for deferred outflows of resources and deferred inflows of resources not to be reported.

As a result, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability would not be reported as deferred outflows of resources at transition. This could result in an understatement of an employer or nonemployer contributing entity’s beginning net position and expense in the initial period of implementation.

To address this potential understatement, Statement 71 provides guidance requiring 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 is 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 are effective simultaneously with the provisions of Statement 68, which is required to be applied in fiscal years beginning after June 15, 2014.

Board Adds Project on Tax Abatement Disclosures to Current Technical Agenda

In December 2013, the Board added a project on Tax Abatement Disclosures to the current technical agenda. The objective of this project is to determine what disclosures for governments that have granted tax abatements, if any, are essential to financial statement users. For purposes of this project, tax abatements are defined as a reduction of or exemption from taxes, offered by a government to a specific taxpayer, typically for the purpose of spurring economic development. The project will not consider guidance for programs that reduce the tax liabilities of broad classes of taxpayers, such as senior citizens or veterans, and which are not the product of individual agreements with each taxpayer. The project also will not consider issues related to recognition in financial statements.

After a review of project history and relevant literature in the first quarter of 2014, Board deliberations are scheduled to begin in April with a discussion of criteria for identifying the types of tax abatements that would be within the scope of the project. Issuance of an exposure draft is scheduled for October 2014.

In addition to adding the Tax Abatement Disclosures project to the current technical agenda, the Board also recently added issues associated with asset retirement obligations, blending requirements for certain business-type activities, and irrevocable charitable trusts to the pre-agenda research portion of the technical plan.

New Electronic Publications to Replace Print Edition of The GASB Report

In an effort to keep stakeholders informed about the important work the GASB does and to do this in a timely and engaging way, the Financial Accounting Foundation is in the final stages of preparing the launch of a new GASB quarterly electronic publication, The GASB Outlook. In addition, The GASB Report will become an electronic publication. Both will be offered free-of-charge.

Each electronic issue of The GASB Outlook will feature about half a dozen short articles and videos focusing on what to watch for in terms of upcoming proposals and pronouncements. It also will decode what you need to know, what the expected impact will be…and will do it in plain English.

The GASB Report is transitioning from a printed publication to a new electronic form with a focus on technical issues and (article continued, next page)
Recent GASB Activity

The GASB held a public meeting on December 10–12 and met by teleconference on November 18 and December 20.

Conceptual Framework—Measurement

The Board began its evaluation of the feedback received on the exposure draft Measurement of Elements of Financial Statements. The feedback received on the overall proposals in the exposure draft and on the two measurement approaches was considered and the Board tentatively agreed to certain clarifying changes to the concepts.

Fiduciary Responsibilities

The Board discussed the types of trust funds reported and how to define those funds. The Board tentatively decided to propose that pension (and other employee benefit) trust funds, investment trust funds, and private-purpose trust funds of governments that meet the proposed tentative definition of a fiduciary continue to be reported in general purpose external financial reports. The Board also tentatively decided to propose that pension trust fund information not be disaggregated from other employee benefit trust fund information in the fiduciary fund financial statements.

Fair Value Measurement and Application

The Board began its redeliberations of issues addressed in the preliminary views document Fair Value Measurement and Application, concentrating on “Fair Value Measurements,” Chapter 2 of the document. Redeliberations included consideration of comments and testimony received on the Board’s proposals in that chapter and the results of the field test on proposals.

The Board continued its discussion on the measurement of lease liabilities be measured consistent with the current measurement requirements for capital leases.

The Board also tentatively decided to propose that initial direct costs be either capitalized (if they are ancillary charges to place the asset into use) or expensed (all other costs). The Board also discussed measurement in governmental funds and tentatively decided to propose that lease liabilities be measured consistent with the current measurement requirements for capital leases.

Leases

In its project on Leases, the Board discussed certain topics related to the initial measurement of assets that are created when entering into a lease. Specifically, the Board discussed prepayments, lease incentives, and initial direct costs. The Board tentatively agreed to propose that prepayments (amounts paid for the lease prior to measuring the lease liability) be included in the value of the reported lease asset. The Board also tentatively decided to propose that lease incentives received be reductions in the cost of lease assets. In addition, the Board tentatively decided to propose that initial direct costs be either capitalized (if they are ancillary charges to place the asset into use) or expensed (all other costs).

The Board also discussed measurement in governmental funds and tentatively decided to propose that lease liabilities be measured consistent with the current measurement requirements for capital leases.

The Board continued its discussion on the measurement of lease liabilities by a lessee and the types of payments that should be included. The Board tentatively decided to propose that the following types of lease payments be included in the measurement of the initial lease liability:

- The best estimate or minimum of range of residual value guarantees probable of being paid based on an assessment of qualitative factors.
- Purchase options probable of being exercised based on an assessment of qualitative factors.
- Termination penalties, if based on the determination of the lease term, the termination option is probable of being exercised.

The Board then discussed several alternatives with respect to the determination of the discount rate. The Board tentatively decided to propose that lease liability payments be discounted using the rate the lessor charges the lessee. However, if that rate cannot be readily determined, the lessee’s incremental

(articled continued, next page)
borrowing rate should be used. The Board tentatively decided not to propose an exception to use a risk-free interest rate in certain situations. The Board also continued its discussion of the initial measurement of lease assets and tentatively decided to propose that the first component of the lease asset be the initial measurement of the lease liability.

The Board continued deliberations by discussing subsequent measurement of the lease asset and lease liability by a lessee during the term of the lease. The Board tentatively decided to propose that a lessee remeasure a lease liability by calculating the amortization of the discount on the lease liability and reducing the lease liability by the actual lease payment amount less the amortization of the discount. The Board tentatively decided to propose that lease assets be amortized using a systematic and rational basis. The Board also tentatively decided to propose that lease assets be amortized over the shorter of the useful life of the underlying asset or the lease term. However, the Board also tentatively decided to propose that the lessee amortize the right-of-use asset as if the lessee owns the underlying asset, using the lessee’s depreciation policy, if the lease transfers ownership or if by assessing qualitative factors, it is probable that a purchase option will be exercised. In those situations, if the underlying asset is a non-depreciable asset such as land, the lessee should not amortize the right-of-use asset. Furthermore, the Board tentatively decided that the proposed guidance on leases that transfer ownership be included in the text of a standard.

The Board then discussed classification in the accrual-basis flows statement and the Board tentatively decided to propose that the lessee report the amortization of the lease asset as amortization expense and the amortization of the discount on the lease liability as interest expense.

Next, the Board discussed the reassessment of lease liabilities for lessees and tentatively decided to propose that there be a reassessment of a lease liability when there is a change in the likelihood (probable to not probable or vice versa) of a purchase option being exercised based on an assessment of qualitative factors. The Board also tentatively decided to propose that, based on an assessment of qualitative factors, there be a reassessment of the residual value guarantee component of a lease liability when there is either a change in the amounts expected to be payable or when there is a change in the likelihood (probable to not probable or vice versa) that a payment will be required. Furthermore, the Board tentatively decided to propose that there be a reassessment of a lease liability when the result of a change in an index or a rate used to determine lease payments during the reporting period may be significant.

The Board tentatively decided to propose that a reassessment of the discount rate be required when the lease term is changed, there is a change in the likelihood that a purchase option will be exercised, and when the result of a change in the reference rate used to determine a variable lease payment may be significant.

The Board also tentatively decided to propose that in the event of a reassessment, the Board’s tentative decision regarding the initial selection of a discount rate also be the approach for selection of a discount rate.

Next, the Board discussed recalculation of the lease liability and asset and tentatively decided to propose that adjustments arising from remeasurements of lease liabilities also adjust the right-of-use asset. The Board then considered a situation in which a lease asset also meets the proposed definition of an investment and tentatively decided to propose that the asset be measured in accordance with guidance for investments rather than leases.

The Board then continued its discussions on short-term leases and tentatively decided to propose that a short-term exception be an accounting requirement, rather than a policy election, for all leases that qualify. The Board also tentatively decided to propose that lessees not be required to recognize assets or liabilities associated with the right to use the underlying asset for short-term leases. Furthermore, the Board tentatively decided to propose that lease payments for short-term leases be recognized as expenses/expenditures based on the terms of the contract.

The Board also discussed cancellable leases and tentatively decided to propose that cancellable periods (those periods for which a lessee and lessor each have the right to cancel the lease) be excluded from the lease term. The Board also tentatively decided to propose that the maximum possible term for a cancellable lease be defined as any noncancellable period, including any notice periods.

The Board then discussed whether contracts with multiple components (lease and nonlease, or multiple leases) should be bifurcated for accounting purposes and, if so, how the consideration should be allocated to the different components. The Board tentatively decided to propose that governments separate contracts into lease and nonlease components, subject to a practicality exception related to measurement.

For allocation of consideration between multiple components, the Board tentatively decided to propose that lessees first use prices in the contract for individual components, if available, if those prices are reasonable based on other observable stand-alone prices.

**Other Postemployment Benefits (OPEB)**

The Board discussed issues related to defined contribution OPEB plans. Specifically, the Board discussed the definition of a defined contribution plan, classification of plans that have both defined benefit and defined contribution characteristics, accounting and financial reporting by governmental employers and governmental nonemployer contributing entities participating in defined contribution OPEB plans, and accounting and financial reporting by defined contribution OPEB plans.

The Board tentatively decided that defined contribution OPEB be defined as: OPEB having terms that (1) provide an individual account for each employee; (2) define the contributions that an employer is required to make (or the credits that it is required to provide) to an active employee’s account for periods in which that employee renders service; and (3) provide that the OPEB an employee will receive will depend only on the contributions (or credits) to the employee’s account, actual earnings on investments of those contributions (or credits), and the effects of forfeitures of contributions (or credits) made for other employees, as well as OPEB plan administrative costs, that are allocated to...
the employee’s account. A defined contribution OPEB plan is one that is used to administer defined contribution OPEB. The Board also tentatively decided that an OPEB plan that has any features of a defined benefit plan should continue to apply the accounting and reporting requirements for defined benefit plans. These provisions are consistent with the standards set forth in Statement No. 68, Accounting and Financial Reporting for Pensions.

In relation to accounting and financial reporting by governmental employers and governmental nonemployer contributing entities participating in defined contribution OPEB plans, the Board tentatively decided to propose the same provisions for recognition and measurement in financial statements, note disclosures, and required supplementary information as governmental employers and governmental nonemployer contributing entities participating in defined contribution pension plans in Statement 68.

The Board considered the impact of federal government subsidies received by an employer or an OPEB plan for OPEB provided. Specifically, the Board discussed how the receipt of a retiree drug subsidy (RDS) payment and a subsidy in an employer group waiver plan (EGWP) should be recognized. The Board tentatively decided to propose that the receipt of an RDS payment be recognized as (1) a voluntary nonexchange transaction when received by an employer or (2) an on-behalf payment when received by an OPEB plan. Based on certain differences between the programs, the Board also tentatively decided to propose that a subsidy in an EGWP be considered a reduction in the employer’s projected benefit costs related to OPEB.

The Board also discussed other issues related to the accounting and financial reporting for OPEB in financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting. The Board tentatively decided to propose that an employer recognize a net OPEB liability in financial statements prepared using the current financial resources measurement focus and modified accrual basis of accounting to the extent the liability is normally expected to be liquidated with expendable available resources. A net OPEB liability is normally expected to be liquidated with expendable available resources when OPEB benefits have matured—that is, benefit payments are due and plan net position is not sufficient for payment of those benefits. The Board also tentatively decided to propose that the recognition of OPEB expenditures include (1) amounts paid by the employer to the OPEB plan or for benefits directly paid by the employer and (2) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available resources.

The Board also discussed the allocation of OPEB liabilities and other measurements to funds and activities and tentatively decided to propose not including information related to the allocation of net OPEB liabilities and related measures among funds in the fund financial statements and between governmental and business-type activities in the government-wide statement of net position.

Next, the Board discussed issues related to implementation. In relation to transition provisions for the recognition of amounts in financial statements of OPEB plans, the Board tentatively decided to propose that the provisions of the proposed statement related to amounts recognized in financial statements be applied retroactively. In addition, information to be presented as required supplementary information for OPEB plans should be presented for as many years for which information measured in conformity with the proposed Statement is available.

The Board also tentatively decided to propose that the proposed statement for OPEB plans be effective for periods beginning after June 15, 2016, with earlier implementation encouraged.

In relation to transition provisions for the recognition of amounts in financial statements of employers, the Board tentatively decided to propose that the provisions of the proposed statement related to amounts recognized in financial statements for OPEB liabilities be applied retroactively.

The Board also reviewed a preliminary draft standards section of the exposure draft for accounting and financial reporting by OPEB plans. The Board provided recommendations and suggestions for clarification on the draft document. Subject to those clarifications and revisions, the Board directed the project staff to prepare a preballot draft for consideration at the March 2014 Board meeting.

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The GASB Update is provided on a bi-monthly basis by staff from the GASB.
Molina Named Comptroller in DC

Bert Molina has been selected as the deputy chief financial officer for the District of Columbia’s Office of Financial Operations and Systems. He has executive-level experience in the fields of finance, accounting and technology with more than 30 years of service in local and state government, school districts and private industry.

Prior to being named deputy CFO for financial operations and systems, Mr. Molina served as the CFO for DC’s Office of Public Education Facilities Modernization, DC Public Schools, and the Milwaukee Public School System. He also served as deputy CFO for DC’s Office of Budget and Planning and assistant deputy CFO for financial operations and systems. Mr. Molina was also the director of general accounting for the city of Houston, Texas. During his tenure with the governments of the District of Columbia and Houston, Mr. Molina has prepared 13 CAFRs (eight for the city of Houston, three for Milwaukee Public Schools, and two for the District).

Mr. Molina, who is a licensed certified public accountant in the state of Texas, is also a certified government financial manager and a certified government finance officer.

He attended the Southwest School of Government Finance (Texas Tech University), the Advanced Government Finance Institute (GFOA and the University of Wisconsin), and the John F. Kennedy School of Government–Executive Education Program (Harvard University). He holds a master’s in business administration from St. Edward’s University (Austin, Texas) and a bachelor’s in accounting from the University of Texas at Austin.

Mr. Molina is also a past president of the Government Finance Officers’ Association–Washington-Metropolitan Area.

Mr. Molina replaces Anthony Pompa in the deputy CFO position.

Leary is Selected to Serve as Alaska’s Next State Treasurer

In January, Pamela Leary was chosen to serve as Alaska’s state treasurer. Ms. Leary replaces Angela Rodell who now serves as commissioner of Alaska’s Department of Revenue.

Prior to this, Ms. Leary served as comptroller of the Treasury Division, a post she had held since 2007. Leary began her career as an auditor with Price Waterhouse and became a partner in the firm PricewaterhouseCoopers. After moving to Alaska, Ms. Leary owned and operated a business before re-entering the accounting profession with the Alaska Permanent Fund Corporation.

She holds a bachelor’s in economics from the Wharton School, University of Pennsylvania, and is a certified public accountant in the state of Alaska.

Ms. Leary was recognized by the American Institute of Certified Public Accountants in 2013 for her work in creating a transparent accounting system of the state’s $49 billion portfolio comprised of general funds, budget reserves and retirement trust accounts.

Virginia Governor Announces Reappointments

On January 15, Virginia Gov. Terry McAuliffe announced several agency head reappointments, including the reappointments of two NASACT members:

Manju Ganeriwala, state treasurer, and David A. Von Moll, state comptroller.

Treasurer Ganeriwala was first appointed state treasurer of Virginia effective January 1, 2009. Prior to her appointment, she served as deputy secretary of finance in Gov. Timothy Kaine’s cabinet. She holds a bachelor of commerce degree from the University of Bombay and a master’s in business administration degree from the University of Texas at Austin. Ms. Ganeriwala is a past president of the National Association of State Treasurers.

Comptroller Von Moll was first appointed state comptroller of Virginia in November 2001 and has served four governors. Mr. Von Moll holds a bachelor’s degree in accounting from Old Dominion University and a master’s degree in business administration from Virginia Commonwealth University. He is a CPA, a member of the American Institute of Certified Public Accountants and is a certified government financial manager. He is vice president of the National Association of State Comptrollers.

Ms. Ganeriwala and Mr. Von Moll both currently serve on NASACT’s Executive Committee.

Find All NASACT Members in the Online Roster

A complete list of NASACT members, presented by state, is available anytime at www.nasact.org/nasact/directory/index.cfm. Additional information about each state (CAFR, link to single audit report, interim disclosure info, etc.) is also available there.
Plan Now to Attend NASACT 2014 in Santa Fe!

By Donna Maloy, Conference Manager

Join NASACT president James Lewis and our New Mexico hosts for the 2014 NASACT Annual Conference in Santa Fe, New Mexico, this August 9-13. The NASACT Training and Professional Development Committee will begin developing the technical program soon. Watch for the topics survey to provide your input!

Santa Fe

Discover Santa Fe’s breathtaking cultural history and Native American, Hispanic and western traditions. Sculpture, painting, opera, galleries, shops and culinary delights are all waiting for you when you come to Santa Fe.

Conference Hotel – Eldorado Hotel

The Eldorado Hotel has been selected as the conference hotel. The Eldorado Hotel is located in heart of Santa Fe, just off the historic Plaza. This year’s conference rate is $119/night plus applicable tax.

Special Events and Social Activities

Our conference hosts are planning a number of special events, including a reception at the historic La Fonda on the Plaza Hotel and a dinner at the New Mexico History Museum and Palace of the Governors. A guest program will also be offered where guests will be treated to the rich history of Santa Fe and some of New Mexico’s treasures.

Mark your calendars and plan to join us in Santa Fe in August for NASACT’s annual conference! More information about the conference will be available soon at www.nasact.org.