

Memorandum

Date: October 14, 2011

To: GAO's Financial Management and Assurance Team (FMA)
CIGIE Financial Audit Community

From: James R. Dalkin, Director – FMA
Kristen Kociolek, Assistant Director – FMA
Tom Hackney, Senior Auditor – FMA

Subject: Professional Standards Update No. 56*
May through September 2011

In order to alert you to changes in professional standards, we issue Professional Standards Updates. The purpose of these updates is to highlight the issuance and some key points of recent standards. Professional Standards Updates do not contain a complete summary of the standards. Those affected by the new standards should refer to the relevant standard for details. Thanks to Theresa Phipps for her contributions to this issue which contains summaries of:

Auditing and Attestation Standards and Guidance

GOVERNMENT ACCOUNTABILITY OFFICE (GAO)

- 2011 Internet Version of Government Auditing Standards
- Summary of Major Changes ~ 2011 Internet Version of Government Auditing Standards

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (AICPA) and the AICPA AUDITING STANDARDS BOARD (ASB)

- Clarified SAS: *Reporting on Compliance With Aspects of Contractual Agreements or Regulatory Requirements in Connection With Audited Financial Statements* (Redrafted)
- Clarified SAS: *Interim Financial Information* (Redrafted)
- Audit Guide: *Service Organizations: Applying SSAE No. 16*, Reporting on Controls at a Service Organization
- Audit Guide: *Government Auditing Standards and Circular A-133 Audits*
- Audit Risk Alert: *State and Local Governmental Developments*
- Interpretation No. 1, "Dating the Auditor's Report on Supplementary Information" of AU section 551, *Supplementary Information in Relation to the Financial Statements as a Whole*
- Codifying the Code of Professional Conduct (*Journal of Accountancy*)

INSTITUTE OF INTERNAL AUDITORS (IIA)

- Practice Guide: *Auditing the Control Environment*

Regulatory Requirements

OFFICE OF MANAGEMENT AND BUDGET (OMB)

- OMB Circular A-133 - Compliance Supplement
- M-11-17— Delivering on the Accountable Government Initiative and Implementing the GPRA Modernization Act of 2010

* Previously issued Professional Standards Updates can be found at <http://www.gao.gov/govaud/psu.htm>

DEPARTMENT OF THE TREASURY - FINANCIAL MANAGEMENT SERVICE (FMS)

- Transmittal Letter No. 663 - Revised I TFM 2-4700, Agency Reporting Requirements for the *Financial Report of the United States Government*

Accounting Standards and Guidance

FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD (FASAB)

- Statement of Federal Financial Accounting Standards No. 40 - Definitional Changes Related to Deferred Maintenance and Repairs: Amending Statement of Federal Financial Accounting Standards No. 6, *Accounting for Property, Plant, and Equipment*
- Statement of Federal Financial Accounting Standards No. 41 - Deferral of the Effective Date of SFFAS 38, *Accounting for Federal Oil and Gas Resources*
- Statement of Federal Financial Accounting Concepts No. 7 - *Measurement of the Elements of Accrual-Basis Financial Statements in Periods After Initial Recording*
- FASAB Technical Bulletin 2011-1, *Accounting for Federal Natural Resources Other Than Oil and Gas*
- Statement of Federal Financial Accounting Technical Release 13 - *Implementation Guide for Estimating the Historical Cost of General Property, Plant & Equipment*
- Management's Discussion and Analysis Best Practices Report - FASAB Accounting and Auditing Policy Committee

FINANCIAL ACCOUNTING STANDARDS BOARD (FASB)

- Accounting Standards Update No. 2011-06— Other Expenses (Topic 720): *Fees Paid to the Federal Government by Health Insurers*
- Accounting Standards Update No. 2011-04— Fair Value Measurement (Topic 820): *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)

- Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

Auditing and Attestation Standards and Guidance

GOVERNMENT ACCOUNTABILITY OFFICE (GAO)

www.gao.gov

2011 Internet Version of Government Auditing Standards

Relevance to Government Audits: HIGH

To help ensure that Government Auditing Standards (GAGAS or the "Yellow Book") continue to meet the needs of the audit community and the public, the Comptroller General appoints the Advisory Council on Government Auditing Standards (Advisory Council) who provide recommendations to GAO on standards. GAO issued the 2011 Internet Version of Government Auditing Standards that will be effective for financial audit and attestation engagements for periods ending on or after December 15, 2012, and for performance audits starting on or after December 15, 2011. Early implementation is not permitted. GAO plans to formally issue the 2011 Revision Government Auditing Standards later this year after the AICPA has completed the clarity revisions. The 2011 Internet version of GAGAS is currently only available in an electronic PDF format, and can be found at the GAO's Government Auditing Standards (Yellow Book) website: <http://www.gao.gov/yellowbook>

Summary of Major Changes ~ 2011 Internet Version of Government Auditing Standards and Detailed Version

Relevance to Government Audits: HIGH

GAO's Audit Standards team has prepared a Summary of Major Changes and a more detailed version to accompany the 2011 Internet Version of Government Auditing Standards. These major changes described include the changes related to the foundation and ethical principles of government auditing, the changes related to the standards for the use and application of GAGAS, and the changes related to the auditor's independence and competence. The Summary of Major Changes also has descriptions of the changes related to attestation engagements, including new sections that have the specific requirements and considerations that apply to the type of attestation engagement, depending on the level of service provided. The Summary of Major Changes and the detailed version - 2011 Internet Version of Government Auditing Standards is available at the GAO's Government Auditing Standards (Yellow Book) website: <http://www.gao.gov/yellowbook>

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (AICPA)

www.aicpa.org/

Clarity Project Update & Newly Revised Standards: Update

Relevance to Government Audits: HIGH

The most recently revised Clarity Standards with significant changes from extant standards are listed below:

- **Clarified SAS: *Reporting on Compliance With Aspects of Contractual Agreements or Regulatory Requirements in Connection With Audited Financial Statements (Redrafted)***

This Statement on Auditing Standards (SAS) will supersede:

- SAS No. 62, *Special Reports*, paragraphs .19–.21

Clarified SAS: *Reporting on Compliance With Aspects of Contractual Agreements or Regulatory Requirements in Connection With Audited Financial Statements (Redrafted)* addresses the auditor's responsibility when the auditor is requested to report on an entity's compliance with aspects of contractual agreements or regulatory requirements. This SAS notes that the auditor's report on compliance should include a statement that nothing came to the auditor's attention that caused the auditor to believe that the entity failed to comply with specified aspects of the contractual agreements or regulatory requirements, insofar as they relate to accounting matters, only when (1) the auditor has not identified any instances of noncompliance, (2) the auditor has expressed an unmodified or qualified opinion on the financial statements to which the applicable covenants of such contractual agreements or regulatory requirements relate, and (3) the applicable covenants or regulatory requirements relate to accounting matters that have been subjected to the audit procedures applied in the audit of financial statements. This SAS is effective for reports on compliance issued in connection with audits of financial statements for periods ending on or after December 15, 2012.

- **Clarified SAS: *Interim Financial Information (Redrafted)***

This SAS will supersede:

- SAS No. 100, *Interim Financial Information*

Clarified SAS: *Interim Financial Information (Redrafted)* addresses the auditor's responsibilities when engaged to review interim financial information under the conditions specified in this SAS. The objective of the auditor when performing an engagement to review interim financial information is to obtain a basis for reporting whether the auditor is aware of any material modifications that should be made to the interim financial information for it to be in accordance with the applicable financial reporting framework by performing limited procedures. This SAS is effective for reviews of interim financial information for interim periods of fiscal years beginning on or after December 15, 2012. Statements on Standards for Accounting and Review Services (SSARS) provide guidance for review engagements for which this SAS is not applicable.

More information about the Clarity Project is available at www.aicpa.org/ImprovingClarityStandards.

 **Audit Guide: *Service Organizations: Applying SSAE No. 16, Reporting on Controls at a Service Organization (May 2011)***

Relevance to Government Audits: HIGH

This Audit Guide is designed to assist CPAs in transitioning from performing a service auditor's engagement under SAS No. 70, *Service Organizations*, to doing so under Statement on Standards for Attestation Engagements (SSAE) No. 16, *Reporting on*

Controls at a Service Organization. Many entities outsource tasks or functions to other entities (*service organizations*). In some cases, the service organization generates data or other information that is incorporated in the user entity's financial statements. Because the auditor is responsible for auditing all the information in the user entity's financial statements, including the information generated by the service organization, the auditor must find a way to obtain evidence about the financial statement assertions affected by the service organization. This guide assists service auditors in understanding the kinds of information auditors of the financial statements of user entities need from a service auditor's report, and contains chapters on planning, performing, and reporting on a service auditor's engagement; illustrative type 1 and type 2 reports; management representation letters; and control objectives for various types of service organizations. Ordering information for this Audit Guide can be obtained through the AICPA website: <http://www.aicpa.org>

🚩 **Audit Guide: *Government Auditing Standards and Circular A-133 Audits***
(Updated as of April 2011)

Relevance to Government Audits: HIGH

This guide includes relevant guidance for audits performed under Government Auditing Standards and Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, including SAS No. 117, *Compliance Audits*. Also included are specific "how to" recommendations that show how to apply the standards to entities subject to an audit under Government Auditing Standards and OMB Circular A-133. Updates significant to this edition include technical guidance contained in the following:

- SAS No. 119, *Supplementary Information in Relation to the Financial Statements as a Whole*, and
- Updated compliance audit considerations for auditors performing engagements that include American Recovery and Reinvestment Act of 2009¹ awards.

Ordering information for this Audit Guide can be obtained through the AICPA website: <http://www.aicpa.org>

🚩 **Audit Risk Alert: *State and Local Governmental Developments***

Relevance to Government Audits: HIGH

This Audit Risk Alert focuses on emerging practice issues, such as recent changes in the municipal securities market and current economic, accounting, and auditing developments, and how these areas affect state and local governments. New accounting and auditing guidance that is particularly significant to this alert includes:

- Governmental Accounting Standards Board (GASB) Statement No. 62; *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*;
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*;
- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; and
- GASB Statement No. 59, *Financial Instruments Omnibus*.

¹ Public Law 111-5

This alert also includes information on the implementation of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, SAS No. 118, *Other Information in Documents Containing Audited Financial Statements*, SAS No. 119 and SAS No. 120, *Required Supplementary Information*, and going concern considerations.

Ordering information for this Audit Risk Alert can be obtained through the AICPA website: www.aicpa.org. *Note: This publication is an “other auditing publication” as defined in AU section 150. It has no authoritative status, but may help auditors understand and apply the SASs.*

✚ Interpretation No. 1, “Dating the Auditor’s Report on Supplementary Information” of AU section 551, *Supplementary Information in Relation to the Financial Statements as a Whole*

Relevance to Government Audits: MEDIUM

This interpretation provides guidance on how, when reporting on supplementary information after the date of the auditor’s report, an auditor may make it clear that no additional procedures were subsequently performed on the audited financial statements. It states that an auditor, (1) *when issuing a separate report*, may include a statement that the auditor has not performed any auditing procedures with respect to the audited financial statements subsequent to the date of the auditor’s report, or (2) *when reissuing a report*, may include two report dates to indicate that the date of reporting on the supplementary information is as of a later date.

✚ Codifying the Code of Professional Conduct

(Journal of Accountancy, June 2011)

Relevance to Government Audits: MEDIUM

The AICPA’s Professional Ethics Executive Committee (PEEC) is undertaking a project to recodify the AICPA Code of Professional Conduct (the Code). PEEC will restructure the Code into topical areas, edit the Code using consistent drafting and style conventions, and revise certain Code provisions. The codification will still be titled the *Code of Professional Conduct* and will continue to be part of the AICPA Professional Standards. The rules and principles will read exactly as before, and the substance of the redrafted and recast interpretations will not change.

INSTITUTE OF INTERNAL AUDITORS (IIA)

www.theiia.org

✚ Practice Guide: *Auditing the Control Environment* (April 2011)

Relevance to Government Audits: MEDIUM

Institute of Internal Auditors (IIA) Practice Guides provide detailed guidance for conducting internal audit activities and include detailed processes and procedures, such as tools and techniques, programs, and step-by-step approaches, as well as examples of deliverables. This Practice Guide - *Auditing the Control Environment* - provides guidance on the significance of the control environment; how to determine

which elements of the control environment should be addressed by engagements in the periodic audit plan; how to scope, staff, and plan such engagements; and which items to consider in performing related audit work, including evaluating and reporting deficiencies. The IIA Practice Guides are available for download by IIA members at the IIA website.

Regulatory Requirements

OFFICE OF MANAGEMENT AND BUDGET (OMB)

www.whitehouse.gov/omb

 **OMB Circular A-133 - Compliance Supplement** (*posted on June 1, 2011*)
Relevance to Government Audits: HIGH for federal financial audits

The Single Audit Act of 1984² established requirements for audits of States, local governments, and Indian tribal governments that administer Federal financial assistance programs. This Compliance Supplement is based on the requirements of the 1996 Amendments and 1997 revisions to OMB Circular A-133, which provide for the issuance of a compliance supplement to assist auditors in performing the required audits. This Supplement provides a source of information for auditors to understand the Federal program's objectives, procedures, and compliance requirements relevant to the audit, as well as audit objectives and suggested audit procedures. This Compliance Supplement is effective for audits of fiscal years beginning after June 30, 2010, and supersedes the OMB Circular A-133 Compliance Supplement dated June 2010.

 **OMB Memo M-11-17— Delivering on the Accountable Government Initiative and Implementing the GPRA Modernization Act of 2010** (*April 14, 2011*)

Relevance to Government Audits: HIGH for federal financial audits

The GPRA Modernization Act of 2010³ modernizes the Federal government's performance management framework, retaining and amplifying aspects of the Government Performance and Results Act of 1993⁴ (GPRA) while reinforcing key elements of the Administration's approach to improving the effectiveness and efficiency of government. Over the next year OMB will issue guidance and provide tools to help agencies implement the Act. Some of the key points are as follows:

- The law designates the deputy head of each agency, or the equivalent, to be the Chief Operating Officer responsible for providing overall organization management to improve agency performance and achieve the mission and goals of the agency through the use of strategic and performance planning, in addition to using performance information to improve results.

² Public Law 98-502

³ Public Law 111-352

⁴ Public Law 103-62

- The law also requires agency heads, in consultation with the Chief Operating Officer, to designate a senior executive as the agency Performance Improvement Officer who shall report directly to the Chief Operating Officer.
- Starting in the first full quarter following enactment of the law and no later than June 30, 2011, the agency head and Chief Operating Officer, with the support of the Performance Improvement Officer, are required to run data-driven progress reviews, at least quarterly, on the agency's near-term Priority Goals.
- The law establishes significant new transparency requirements, including a requirement for quarterly updates on agency and Federal Cross-cutting Priority Goals, as well as a broader requirement to make performance information available through a central website.

All of OMB's Fiscal Year 2011 memoranda are available at the OMB's website: http://www.whitehouse.gov/omb/memoranda_default/ For more information on any of these OMB documents, or to access other OMB circulars, bulletins, and memoranda for this year or previous years, please see the OMB website: <http://www.whitehouse.gov/omb/agency/default>.

DEPARTMENT OF THE TREASURY - FINANCIAL MANAGEMENT SERVICE (FMS)

<http://fms.treas.gov/index.html>

✚ Transmittal Letter No. 663 - Revised I TFM 2-4700
Agency Reporting Requirements for the *Financial Report of the United States Government* (June 16, 2011)
 Relevance to Government Audits: HIGH

All agencies must provide the Financial Management Service (FMS) with fiscal year end data used to prepare the *Financial Report of the United States Government*, and this Treasury Financial Manual (TFM) chapter describes how agencies provide data for the Financial Report using the Governmentwide Financial Report System (GFRS) and the Federal Agencies' Centralized Trial-Balance System (FACTS I). It includes the FMS's fiscal 2011 Closing Package methodology, the Federal Intragovernmental Transactions process, and requirements for electronically submitting preclosing adjusted trial-balances. This chapter also includes a listing of the verifying agencies required to verify and submit a closing package as well as the fiscal 2011 reporting and submission dates.

Accounting Standards and Guidance

FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD (FASAB)

www.fasab.gov

✚ Statement of Federal Financial Accounting Standards (SFFAS) No. 40 - Definitional Changes Related to Deferred Maintenance and Repairs: Amending Statement of Federal Financial Accounting Standards No. 6, *Accounting for Property, Plant, and Equipment* (May 11, 2011)

Relevance to Government Audits: HIGH for certain federal audits

This Statement amends SFFAS 6, *Accounting for Property, Plant, and Equipment* (PP&E) and revises maintenance and repair (M&R) terminology by modifying the definition of maintenance and by replacing the term “*deferred maintenance*” with “*deferred maintenance and repairs*”. The objective of this Statement is to incorporate definitional changes in response to concerns raised by the financial and technical communities. The amendments in this Statement:

- Clarify that “*deferred maintenance*” reporting includes deferred repairs;
- Revise the examples of maintenance and repair activities to better reflect current practices; and
- Address issues related to the distinction between maintenance, repairs, and new capital expenditures.

This Statement is effective for periods beginning after September 30, 2011, with earlier implementation encouraged.

 **Statement of Federal Financial Accounting Standards (SFFAS) No. 41 - Deferral of the Effective Date of SFFAS 38, *Accounting for Federal Oil and Gas Resources* (July 6, 2011)**

Relevance to Government Audits: HIGH for certain federal audits

This Statement defers the effective date of SFFAS 38, *Accounting for Federal Oil and Gas Resources*, for one year, and applies to federal entities that report information about federal oil and gas resources in general purpose federal financial reports, including the financial report of the U.S. Government. The standards contained in SFFAS 38 will become effective as required supplementary information for periods beginning after September 30, 2012, with earlier implementation encouraged.

 **Statement of Federal Financial Accounting Concepts (SFFAC) No. 7 - *Measurement of the Elements of Accrual-Basis Financial Statements in Periods After Initial Recording* (August 16, 2011)**

Relevance to Government Audits: MEDIUM

This Concepts Statement addresses the measurement of the elements⁵ of accrual-basis financial statements of federal government entities in periods after their initial recording. The objective of this Statement is to identify and elucidate the conceptual issues relevant to establishing measurement standards in the future for accrual-basis financial statements, and this Concepts Statement discusses the advantages and disadvantages of different alternatives for measurement. However, conclusions as to which measurement approach or attribute may be selected for reporting an element under different circumstances are deferred for consideration in the standard-setting process. This Concepts Statement does not change current financial reporting standards or establish new standards.

⁵The elements include assets, liabilities, net position, revenues, and expenses. (SFFAC 5, *Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements*)

✚ FASAB Technical Bulletin 2011-1, *Accounting for Federal Natural Resources Other Than Oil and Gas* (July 6, 2011)

Relevance to Government Audits: HIGH for certain federal audits

Technical Bulletin 2011-1 applies the general principles developed in SFFAS 38 for federal oil and gas resources to coal and other types of federal natural resources. This Technical Bulletin clarifies that federal entities should report the value of the federal government's estimated royalties and other revenue from federal natural resources that are (1) under lease, contract or other long-term agreement and (2) reasonably estimable as of the reporting date. Consistent with the requirements of SFFAS 38, this data should be reported as required supplementary information (RSI).

✚ Statement of Federal Financial Accounting Technical Release 13 - *Implementation Guide for Estimating the Historical Cost of General Property, Plant & Equipment* (June 1, 2011)

Relevance to Government Audits: HIGH for certain federal audits

The implementation guidance in Technical Release 13 (TR 13) was developed to address the historical cost estimating of general property, plant, and equipment (G-PP&E) as it applies to SFFAS Nos. 6, 23, and 35. This guide provides support and direction relative to the types of estimating methodologies and the documentation that could be used to support the valuation estimates of G-PP&E. The examples outlined in this guide illustrate the use of various estimating methodologies to derive the historical cost of G-PP&E in accordance with SFFAS 35.

✚ Management's Discussion and Analysis Best Practices Report — FASAB Accounting and Auditing Policy Committee (May 19, 2011)

Relevance to Government Audits: MEDIUM

SFFAC 3 and SFFAS 15 provide guidance and requirements for management's discussion and analysis (MD&A) in federal financial reports. This report provides examples of selected sections of certain federal fiscal year 2009 MD&As which the FASAB Accounting and Auditing Policy Committee believes effectively captured the letter and spirit of the key elements of the standards. By providing available examples of "best practices" from federal MD&As, this report is intended to help preparers achieve the objectives of the standards and avoid some of the pitfalls that have prevented these MD&As from achieving their full potential to effectively communicate important information about the entity's mission, operations, goals, challenges, financial results, and future. The techniques and practices used to implement the initiatives that are discussed in this document are not mandatory guidance, but they should be viewed as examples of techniques for MD&A to better communicate essential information about the entity's operations.

FINANCIAL ACCOUNTING STANDARDS BOARD (FASB)

www.fasb.org

✚ Accounting Standards Update No. 2011-06 — Other Expenses (Topic 720): *Fees Paid to the Federal Government by Health Insurers (July 2011)*

Relevance to Government Audits: MEDIUM

The objective of Accounting Standards Update No. 2011-06 is to address questions about how health insurers should recognize and classify in their income statements the fees mandated by the Patient Protection and Affordable Care Act⁶ as amended by the Health Care and Education Reconciliation Act.⁷ The amendments in this Accounting Standards Update specify that the liability for the fee should be estimated and recorded in full once the entity provides qualifying health insurance in the applicable calendar year with a corresponding deferred cost amortized using a straight-line method of allocation unless another method better allocates the fee. The amendments in this Accounting Standards Update are effective for calendar years beginning after December 31, 2013, when the fee initially becomes effective.

✚ Accounting Standards Update No. 2011-04 — Fair Value Measurement (Topic 820): *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs (May 2011)*

Relevance to Government Audits: MEDIUM

The amendments in this Accounting Standards Update No. 2011-04 explain how to measure fair value, and result in common fair value measurement and disclosure requirements between U.S. GAAP and International Financial Reporting Standards (IFRS). The amendments in this Accounting Standards Update:

- Change the wording used to describe the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements;
- Clarify the Board's intent about the application of existing fair value measurement and disclosure requirements;
- Change the principles and/or requirements for measuring fair value, or for disclosing information about fair value measurements;
- Change the wording to ensure that U.S. GAAP and IFRS fair value measurement and disclosure requirements are described in the same way; and
- Expand the disclosures about fair value measurements.

This Accounting Standards Update does not require additional fair value measurements and is not intended to establish valuation standards or affect valuation practices outside of financial reporting. Also, some of the disclosures required by the amendments in this Update are not required for nonpublic entities. For public entities, the amendments are effective during interim and annual periods beginning after December 15, 2011, and early application is not permitted. For nonpublic entities, the amendments are effective for annual periods beginning after December 15, 2011. Nonpublic entities may apply the amendments in this Accounting Standards Update early, but no earlier than for interim periods beginning after December 15, 2011.

⁶ Public Law No: 111-148

⁷ Public Law No: 111-152

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)

www.gasb.org

✚ Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (June 2011)

Relevance to Government Audits: MEDIUM

GASB Statement No. 63 (Statement) provides financial reporting guidance for deferred outflows and inflows of resources. The requirements in this Statement apply to the financial statements of all state and local governments. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows and inflows into the definitions of the required components of the residual measure, and by renaming that measure as “*net position*”, rather than net assets. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows and inflows of resources and their effects on a government's net position. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011, and earlier application is encouraged.
