



# GOVERNMENT GUIDE

Winter 2016

## ABOUT US

*We have been providing professional services to the government accounting industry since our inception in 1957. Henry & Horne, LLP is a local firm with a long history and a strong team with many years of experience. Our experts are dedicated solely to the government industry, providing audits, single audits, yellow book audits, reviews and compilations and agreed-upon procedures to a wide variety of entities such as state and local governments, school districts, special districts and Indian tribes. We also provide entities with internal control reviews, accounting services, minimum accounting standards court audits, annual expenditure limitation reports and school compliance audits.*



## Resources for Auditees to Help with Audit Quality By Marilyn Mays, CPA, CGMA

The rules and regulations governing accounting for governmental entities are very different from other industries. When you enlist the services of a CPA firm to handle your audit needs, you want knowledgeable professionals who adhere to the highest governmental auditing and accounting industry standards. While you rely on these trusted experts to understand the processes and controls within the governmental environment, as an auditee, you also must keep up with the never-ending changes within the governmental industry.

The more informed you are, the better the chances that you receive an efficient, quality audit. When you have information to help you prepare for the audit and understand how new laws, regulations and accounting pronouncements impact you, everyone benefits. There's an easy transfer of information and communication between you and your auditors, making the process much smoother. So, how do you become well-informed?

Henry & Horne, LLP is a member of the Government Audit Quality Center, a voluntary membership for CPA firms and state audit organizations that aims to help improve audit quality. While this organization is focused on professionals, it also offers information through its Auditee Resource Center for entities required to have audits done according to *Government Auditing Standards*. You will find information on preparing for your audit as well as information on identifying and eliminating any major or significant deficiencies that may be in your entity's control structure. All of it is aimed at making sure you have good controls in place so you receive an efficient, quality audit.

### What do I have access to?

The Auditee Resource Center houses information, tools, practice aids, webinars and more. Here's what you can access:

- **Why Audit Quality is Important to Auditees?** This section outlines the importance of having a quality audit, auditee factors affecting quality and 5 ways to improve audit quality.
- **Audit Tools, Practice Aids, and Other Resources.** Here you will find information on Single Audits, Yellow Book, Internal Control Information, Request for Proposal, Compliance and Financial Statements.

In this section, you will also be able to access archived webinars. The most recent topics are timely and effective for your industry **RIGHT NOW**: *Preparing for a Single Audit: An Auditee Perspective*; *Uniform Guidance for Federal Awards: How Clients Need to Monitor Subrecipients Going Forward*; and *Uniform Guidance for Federal Awards: The New Cost Principles, Time and Effort Reporting, Procurement and Other Administrative Requirements*. Keep in mind, no CPE is available for listening to archived webinars.

- **AICPA Audit and Accounting Guides and Other Publications.** This section houses numerous audit and accounting publications from the AICPA for the government industry.
- **AICPA Governmental and Not-for-Profit Conferences.** The AICPA offers a number of conferences throughout the year, including sessions tailored specifically to governmental auditing and accounting. This is where you can see a list of upcoming conferences and register.
- **Helpful Web Links.** In this section you will find a list of websites that may be of assistance to your entity's needs such as the Federal Audit Clearinghouse, the Government Accountability Office, the Financial Accounting Standards Board, etc.

You can access the Auditee Resource Center at this web address <http://www.aicpa.org/INTERESTAREAS/GOVERNMENTALAUDITQUALITY/RESOURCES/AUDITEERESOURCECENTER/Pages/AuditeeResourceCenter.aspx>.

Of course, if you have questions, your Henry & Horne, LLP audit professionals are just a phone call away. Our door is always open and you can call us throughout the year.

**If you have any questions Marilyn can be reached at (480) 839-4900 or [MarilynM@hhcpa.com](mailto:MarilynM@hhcpa.com).**



**HENRY & HORNE, LLP**  
Certified Public Accountants

*www.henryandhorne.com*



## What to Expect from the GASB in 2016

By Andrew Gill, CPA

Happy New Year! As we look back on 2015, governmental entities are happy to have the process of implementing GASB Statement 68 Accounting and Financial Reporting for Pensions behind them. Hopefully, the complications were minimal and the process will be easier from here on out as the implementation year is always the most difficult. While there will be changes in years to come relating to pensions, it should not be as sweeping as Statement 68 was. But what does the GASB have in store for us in 2016? While not as intense as Statement 68, all government entities will be required to implement GASB Statement 72 Fair Value Measurement and Application for periods beginning after June 15, 2015. Below, we go over some of the key changes that you will need to keep in mind this fiscal year.

Statement 72 is increasing the scope of the use of fair value measurement to nearly all investments and the GASB is defining an investment as “a security or other asset that (A) a government holds primarily for the purpose of income or profit and (B) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash”. To achieve the guidelines set out, this is done by providing additional information regarding the measurement of assets and liabilities as well as outlining three specific approaches to measure the fair value as follows:

- **The Market Approach:** Uses quoted market prices and other relevant information for identical/comparable assets or liabilities.
- **The Cost Approach:** Reflects the dollar amount to replace the asset with a similar asset or substitute.
- **The Income Approach:** Converts future amounts to a single current amount.

The Statement is also specific in that the valuation technique selected should be applied consistently, though there may be instances when a change is appropriate. Also, in order to present clearly to the users the techniques used to measure fair value, the Statement establishes a hierarchy of inputs based on reliability. They are as follows:

- **Level 1:** This is the most reliable level of measurement. Level 1 inputs are quoted prices for identical assets or liabilities in active markets.
- **Level 2:** Consists of inputs that are directly or indirectly observable, but do not have quoted prices in active markets as in Level 1.
- **Level 3:** Consists of unobservable inputs and is the lowest level of reliability.

The above levels of fair value hierarchy, as well as the valuation techniques used to determine fair value, will result in additional footnote disclosures. Overall, the statement is designed to help the users of the financial statements to make more informed decisions and to have comparable standards relating to fair value across governmental entities.

For more information on the upcoming changes, visit [www.GASB.org](http://www.GASB.org).

If you have any questions Andrew can be reached at (480) 839-4900 or [AndrewG@hhcpa.com](mailto:AndrewG@hhcpa.com).



HENRY & HORNE, LLP  
Certified Public Accountants