



# Government & Nonprofit

N E W S

American Accounting Association

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**Message from Smitty  
(aka G. Robert Smith Jr.  
Associate Professor of Accounting  
Middle Tennessee State University)  
AAA GNP Section President Elect**

Come to Washington, DC!!!! We have a lot of exciting events planned for this year's AAA annual meeting. Things get started with our usual CPE sessions on Sunday August 6, 2006. At the morning education session (8 AM to 12 PM) we currently have speakers from GASB and FASAB who will provide updates on their particular areas and have a panel discussion on their respective financial elements projects. The afternoon CPE session (1 PM to 4 PM) focuses on linking practice and theory.

The GNP Section Luncheon is on Monday August 7, 2006 from noon to 1:45 PM. The luncheon speaker is Natwal Gandhi, the CFO for the District of Columbia. The GNP Section Business Meeting will follow later that afternoon from 4:00 PM to 5:30 PM.

A list of other activities at the annual meeting, including all the Concurrent Sessions, Panel Session, New Scholar Session, and Forum Paper Sessions follows on Page 3.

Finally, if anyone is interested in playing golf on Saturday or Tuesday, let me know so we can plan a good outing. I have played several courses in the DC area and will have my SUV available for transportation.

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# GASB Update

By Terry Patton

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The Governmental Accounting Standards Board (GASB) has a new resource that should benefit both professors and students interested in governmental accounting. In May 2006, the GASB issued its first edition of an e-newsletter entitled, *The User's Perspective*. The newsletter includes articles written especially for users of governmental financial reports as well as links to additional pages that contain information that may be relevant. The following articles were included in the first newsletter:

*Derivatives: GASB Proposes More Transparency*

*Fund Balance: It May Not Be What You Think It Is*

*Coming to a CAFR Near You: The New Statistical Section, Part 1*

*Deposits and Investments: New Information in the Notes*

*What Is the GASB Doing Now?*

Additional newsletters will be published periodically with the next newsletter to be issued in September 2006. If you are interested in receiving the newsletter and have not already signed up for the GASB's constituent database, you may do so at the following address:

<http://www.gasb.org/users/index.html>.

By signing up, you should also receive e-mails advising you of new GASB publications, such as Exposure Drafts or final standards.

The GASB would like to thank all of the professors from the GNP section that responded to the GASB constituent survey that was conducted earlier this year. The survey was designed to seek constituents' perspectives about whether the GASB is effectively fulfilling various aspects of its mission and strategic plan objectives. The results of the survey are intended to provide a benchmark to compare changes in

constituents' perceptions regarding the GASB's educational efforts, standards, and standards-setting process.

On the technical front, a Preliminary Views (PV) document, *Accounting and Financial Reporting for Derivatives*, was issued on April 28, 2006. Briefly, the PV proposes that most derivatives be recognized and measured at fair value and that the fair value changes of derivatives that are considered effective hedges be reported as deferred charges or deferred credits in a government's balance sheet. Fair value changes for derivatives that do not result in effective hedges would be recognized in a government's change statements. The deadline for comment on the PV is July 28, 2006. A copy of the PV can be obtained at the GASB website ([www.gasb.org](http://www.gasb.org)).

In line with its commitment to open and rigorous due process, the Governmental Accounting Standards Board (GASB) will hold panel discussions, a public hearing, and a roundtable exclusively for external financial statement users, regarding the GASB's Preliminary Views (PV) document, *Accounting and Financial Reporting for Derivatives*. The panel discussions and roundtable are a part of the GASB's efforts to offer a variety of opportunities for its constituents to respond, in addition to more traditional methods such as comment letters and public testimony. The panel discussions, hearing, and roundtable are scheduled for July 10, 2006, in New York City at The New School for Social Research, 65 Fifth Avenue (between 13th and 14th Streets), Second Floor, New York, NY. The panel discussions will begin at 9 a.m. EDT and are expected to conclude at noon. The public hearing will be conducted between 1:00 and 3:00 p.m. The user roundtable will begin at 3 p.m. EDT and is expected to conclude at 5 p.m. EDT.

**2006 AAA Annual Meeting  
Washington, DC 2006**

This year's annual meeting in Washington, DC will be an active one for the GNP section. We have two CPE sessions, six concurrent/panel sessions and two forum papers on the program. Additionally, for the first time, we have two presenters participating in a new scholar session.

Thanks to everyone who volunteered to serve as a reviewer, moderator or discussant. Your efforts have shaped what looks to be an exciting program for the section this year. See you in Washington!

Mark your calendars for the following events.

Linda M. Parsons

**Continuing Education Workshop  
Sunday, August 6, 2006, 8:00 a.m. – noon**

CPE Session #26 – Linking Practice with What We Do in the Classroom

This session is designed to link current practice with what we teach in the classroom. Speakers will include representatives from the GASB, AGA, and one or more Federal agencies (to include, but not limited to, OMB, GAO and FASAB). We also plan to have a speaker from Grant Thornton, a firm that is very active in governmental auditing. Finally, we allow time for representatives from AGA to talk about some exciting new possibilities in the research area.

**Continuing Education Workshop  
Sunday, August 6, 2006, 1:00 p.m. – 4:00 p.m.**

CPE Session #29 – Government and Nonprofit Research: Building the Bridge between Practice and Theory

This session will present a panel of accounting, reporting, and auditing practitioners from the nonprofit and governmental arenas, along with academics who do research in these areas. The discussion will focus on contemporary issues related to corporate governance, transparency, and accountability, and will concentrate on how to bring research findings into the “real world” where regulators, accountants, and stakeholders work and rely on reported information.

**Concurrent Sessions:**

**Monday, August 7, 2006, 10:15 a.m. – 11:45 a.m.**

Auditing Research in the Nonprofit Sector

Moderator: William Stout, University of Louisville

*An Examination of Audit Fee Determinants in the Nonprofit Sector of the Audit Market*

Yvonne Ellis, Morehouse College; Quinton Booker, Jackson State University  
Discussant: Susan Cammack, Washburn University

*Auditor Attestation of Management's Evaluation of Internal Control: Evidence from the Non-Profit Sector*

Thomas E. Vermeer, University of Baltimore;  
K. Raghunandan, Florida International University;  
Dana A. Forgione, Florida International University  
Discussant: Alireza Daneshfar, University of New Haven

*Auditor Change and Auditor Choice in Non-Profit Organizations*

Stephanie L. Tate, University of New Hampshire  
Discussant: Andrea Roberts, Boston College

**Monday, August 7, 2006, 2:00 p.m. – 3:30 p.m.**

Governmental Reporting and Disclosure

Moderator: Barbara Chaney, University of Montana

*Estimating the Value Added by Spending on the Administrative Function in Public Education: Evidence from New Jersey Public Schools*

Yaw M. Mensah, Rutgers University;  
Michael P. Schoderbek, Rutgers University;  
Robert H. Werner, Rutgers University  
Discussant: Marc Rubin, Miami University

*The Role and Impact of Types of Disclosure and Other Determinants of Borrowing Costs in the Market for Taxable Municipal Bonds*

Kenneth N. Daniels, Virginia Commonwealth University; Donald R. Deis, Texas A&M University – Corpus Christi; Jayaraman Vijayakumar, Virginia Commonwealth University  
Discussant: Byron Henry, Howard University

*Determinants and Implications of Municipal Cash Holdings*

Angela K. Gore, University of Oregon  
Discussant: Barry Marks, University of Houston – Clear Lake

**Tuesday, August 8, 2006, 2:00 p.m. – 3:30 p.m.**

Communicating Performance

Moderator: Nicole Thibodeau, Naval Postgraduate School

*Analyzing the Financial Statements of Nonprofit Organizations: A Study of the Major Sectors*

John M. Trussel, Pennsylvania State University at Harrisburg  
Discussant: Pamela Smith, University of Texas at San Antonio

*Communicating Performance: The Extent and Effectiveness of Performance Reporting by U.S. Colleges and Universities*

Teresa P. Gordon, University of Idaho; Mary Fischer, University of Texas at Tyler  
Discussant: Alice Ketchand, Sam Houston State University

*Communicating Government Performance: The Role of Newspapers*

Kenneth A. Smith, Willamette University; Ottalee Schiffel, State University of New York – Geneseo  
Discussant: Lela “Kitty” Pumphrey, Idaho State University

**Tuesday, August 8, 2006, 4:00 p.m – 5:30 p.m.**

Corporate Governance in Governments

Moderator: C. Catherine Chiang, North Carolina Central University

*Auditor Specialization and Perceived Audit Quality, Auditee Satisfaction and Audit Fees in the Local Government Audit Market*

Randal J. Elder, Syracuse University; Laurence E. Johnson, Colorado State University; Suzanne Lowensohn, Colorado State University  
Discussant: Marshall Pitman, University of Texas at San Antonio

*Should More Local Governments Purchase a Bond Rating?*

Arthur Allen, University of Nebraska – Lincoln; George Sanders, Western Washington University  
Discussant: Bambi Hora, University of Central Oklahoma

*A Municipal Audit Fee Model Using Structural Equation Modeling*

Gary Giroux, Texas A&M University; Andrew McLelland, Auburn University and Securities & Exchange Commission  
Discussant: Paul Copley, James Madison University

**Wednesday, August 9, 2006, 2:00 p.m. – 3:30 p.m.**

Government and Nonprofit Potpourri

Moderator: Kamala Raghavan, Robert Morris University

*An Empirical Investigation of Changes in Charity Care Spending by Nonprofit Hospitals in Response to Mandatory Threshold Law*

Frances A. Kennedy, Clemson University; Laurie B. McWhorter, Mississippi State University; Jennifer Troyer, University of North Carolina – Charlotte; Caleb Stroup, University of North Carolina – Charlotte

Discussant: Charles Stanley, Baylor University

*Founding Family Influence and Private Foundation Performance*

Brian McAllister, Wichita State University; Arthur Allen, University of Nebraska – Lincoln  
Discussant: Christine Petrovits, NYU Stern School of Business

*The Leviathan Dynamic of Statehood: The Fiscal Effects of Statehood in New Mexico and Arizona, 1880s – 1920s*

Stephanie D. Moussalli, Nicholls State University  
Discussant: Nazik Roufaiel, State University of New York – Empire State College

**Panel Session**

**Wednesday, August 9, 2006, 10:15 a.m. – 11:45 a.m.**

Reporting Government Performance Measures

Panelists: Julie Bryant, Association of Government Accountants  
Cynthia Green, GASB  
Thad Juszczak, Grant Thornton  
Ola Smith,  
Western Michigan University

Panelists will discuss trends and future directions of reporting non-financial measures by governments. Non-financial measures are similar to those used for a Balanced Scorecard and are also known as SEA or Service Efforts and Accomplishments.

**New Scholar Session**

**Tuesday, August 8, 2006, 10:15 a.m. – 11:45 a.m.**

*Growing Demand for Public Hospitals and Determinants of Their Efficiency Factors*

Rabih Y. Zeidan, University of Houston (with Saleha B. Khumawala, University of Houston)

*Reciprocity and Financial Information Relevance*  
Evelyn A. McDowell, Rider University

**Forum Paper Sessions**

*Who, What and How: An Analysis of Fraud in Nonprofit Entities*

Janet S. Greenlee, University of Dayton; Mary Fischer, University of Texas at Tyler; Elizabeth Keating, Harvard University; Teresa Gordon, University of Idaho

*Sarbanes-Oxley: Impact and Implications for Not-for-profit Organizations*

Saleha B. Khumawala, University of Houston; Daniel Neely, University of Houston

## **Developments in International Financial Accounting Standards**

**Nicole Thibodeau**  
**Naval Postgraduate School**

The IPSASB ([International Public Sector Accounting Standards Board](http://www.ifac.org/PublicSector/Downloads/2006_04_English_IPSASB_Update.pdf)) of the IFAC (International Federation of Accountants) met in Tokyo March 21-24, 2006. Among the developments, the IPSASB agreed to further develop an exposure draft for all social policy obligations other than pensions that will include the recognition of a liability when eligibility criteria have been met. It also agreed to prepare a separate exposure draft for pension obligations for which it will consider the same approach. Similarly, among the issues considered for a forthcoming ED adapting IAS 19 "Employee Benefits", it agreed to propose full liability accounting.

The IPSASB also made progress on two forthcoming EDs, agreeing to issue an ED on the "Impairment of Cash Generating Assets" based on IAS 36, after refinement, and to initiate a project on the development of a conceptual framework. The IPSASB will also explore potential collaborations with national standard setters on the development of such a framework. In terms of outstanding EDs, the IPSASB noted that a majority of the initial reviews regarding EDs 27, "Presentation of Budget Information in Financial Statements" and 28, "Disclosure of Financial Information about the General Government Sector", were generally in favor of developing final IPSASs, though some respondents raised substantial issues that the IPSASB agreed to consider at its next meeting. Following favorable responses, the IPSASB also agreed to finalize IPSASs for EDs 25, "Equal Authority of Paragraphs in IPSASs", and 26, "Improvements to International Public Sector Accounting Standards", to be reviewed at its next meeting. Finally, a revised ED proposing amendments to the cash basis IPSAS, that will include basic mandatory required disclosures, will be developed for the next meeting to be held July 3-6 in Paris.

An update of the IPSASB March meeting is available at

[http://www.ifac.org/PublicSector/Downloads/2006\\_04\\_English\\_IPSASB\\_Update.pdf](http://www.ifac.org/PublicSector/Downloads/2006_04_English_IPSASB_Update.pdf).

In January 2006, the IPSASB issued ED 29, "[Revenue from Non-Exchange Transactions \(Including Taxes and Transfers\)](#)". In February 2006, it issued a discussion paper entitled "[Accounting for Heritage Assets Under the Accrual Basis of Accounting](#)". Comments on both documents are requested by June 30, 2006. In March, the IPSASB published the "[The Road to Accrual Accounting in the United States of America](#)", an account of the US's evolution towards accrual accounting over the past 70 years, across local, state and federal governments.

Also note that the 8th Biennial CIGAR Workshop on "Performance Measurement in the Public Sector" will be held on September 14-15, 2006 in Hamburg. Attendance is by invitation only. The 11th Biennial CIGAR Conference will be held on June 14-15, 2007 in Coimbra. The theme of the conference is "Implementing Reforms in Public Sector Accounting: problems, changes and results". Information on submitting a paper or attending the conference is forthcoming at <http://cigar-network.net/pages/2/index.htm>.

# Federal Accounting Standards Advisory Board

June 7, 2006 NEWS RELEASE

## FASAB Issues a Concepts Statement Exposure Draft entitled *Definition and Recognition of Elements of Accrual-Basis Financial Statements*

The Chairman of the Federal Accounting Standards Advisory Board (FASAB), David Mosso, announced today that the FASAB is seeking input on concepts defining the five elements of accrual-basis financial statements. Elements of financial statements are the “building blocks” of financial statements--the broad classes of items from which the statements are constructed. The elements for which definitions are proposed are assets, liabilities, net position, revenue and expense.

“Currently, certain element definitions are presented in accounting standards but a complete set of definitions was never developed by FASAB. This proposed concepts statement will fill that void and address certain controversial aspects of our existing elements” according to Chairman Mosso.

The exposure draft poses questions for respondents on issues such as the essential characteristics of assets and liabilities, deriving the definitions of revenue and expense from the definitions of assets and liabilities, the government’s ability to change laws in the future, uncertainty related to existence and measurement, and recognition criteria. In addition, some members are offering alternative views on the proposed concepts and request input on these views as well. Resolution of these and other conceptual issues will guide federal accounting standard setting in the future.

Respondents are encouraged to provide the reasons for their positions. The exposure draft requests comments by August 5<sup>th</sup>. The exposure draft in PDF format and the specific questions raised in Word format are available at the FASAB website

(<http://www.fasab.gov/exposure.htm>).

In addition, the Board plans to hold a public hearing on the exposure draft at its September 2006 meeting.

### FOR MORE INFORMATION:

Wendy M. Comes  
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### ABOUT FASAB

The mission of the FASAB is to promulgate federal accounting standards after considering the financial and budgetary information needs of citizens, congressional oversight groups, executive agencies, and the needs of other users of federal financial information.

Accounting and financial reporting standards are essential for public accountability and for an efficient and effective functioning of our democratic system of government. Thus, federal accounting standards and financial reporting play a major role in fulfilling the government's duty to be publicly accountable and can be used to assess (1) the government’s accountability and its efficiency and effectiveness, and (2) the economic, political, and social consequences of the allocation and various uses of federal resources.

For more information on FASAB, please visit our website: [www.fasab.gov](http://www.fasab.gov).

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## ANNOUNCEMENTS

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### **US Government Accounting Office (GAO) is seeking comments on proposed changes to the “Yellow Book”.**

GAO invites your comments on proposed changes to Government Auditing Standards (GAGAS), commonly known as the “Yellow Book.” The proposed revisions are wide-ranging, are expected to be issued in final form during the fall of 2006.

#### **Process for Revising GAGAS**

To help ensure that the standards continue to meet the needs of the audit community and the public it serves, the Comptroller General of the United States appointed the Advisory Council on Government Auditing Standards to review the standards and recommend necessary changes. The Advisory Council includes experts in financial and performance auditing drawn from all levels of government, private enterprise, public accounting, and academia. This exposure draft of the standards includes the Advisory Council’s suggestions for proposed changes. We are currently requesting public comments on the proposed revisions in the exposure draft.

#### **Instructions for Commenting**

The exposure draft of the proposed changes to Government Auditing Standards, 2006 Revision, is only available in electronic format and can be downloaded from GAO’s Yellow Book Web Page at <http://www.gao.gov/govaud/ybk01.htm>. Send comments on the exposure draft to [yellowbook@gao.gov](mailto:yellowbook@gao.gov) on or before August 15, 2006.

#### **Stay Connected with the GNP Section**

Do you know Smitty? Well, he wants to know you; or, more precisely, he wants to know your e-mail address.

Smitty is the person responsible for sending out e-mails announcing various Section activities. Smitty knows he doesn’t have everyone’s e-mail address. So, if you are not currently receiving e-mail messages from Smitty, please send him your address. We want the Section’s distribution list to be as complete as possible. Please send your e-mail address to: [smitty@mtsu.edu](mailto:smitty@mtsu.edu)

#### **GNP Website:**

GNP archives are up on the website. You can click on the "section archive" item in the border of the website and view files dating back to 1976. These are the items that John Engstrom compiled. Please take a look at the site <http://aaahq.org/GNP/index.htm> and send any corrections, updates and suggestions to Suzanne at: [Suzanne.Lowensohn@business.colostate.edu](mailto:Suzanne.Lowensohn@business.colostate.edu)

The Government & Nonprofit News is published three times a year (Spring, Summer and Fall) as a service to the GNP Section Members of the AAA.

The deadline to submit items for inclusion in the next issue of **Government & Nonprofit News** is **September 15, 2006**. Submit newsletter items (max 350 words per item) to:

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