



State of North Carolina

Department of State Treasurer

RICHARD H. MOORE
TREASURER

*State and Local Government Finance Division
and the Local Government Commission*

JANICE T. BURKE
DEPUTY TREASURER

Memorandum # 1002

September 26, 2003

TO: Officials of County Governments, Boards of Education, and Certified Public Accountants

FROM: T. Vance Holloman, Director
Fiscal Management Section

SUBJECT: Reporting Issues for Boards of Education
Release of Illustrative Statements for Carolina County Board of Education

Several reporting issues have developed for boards of education in North Carolina. The following is a discussion of those issues and how we have illustrated them in the Carolina County Board of Education illustrative statements, both GASB 34 and pre-GASB 34 models. These statements are now available on our website at <http://www.treasurer.state.nc.us/SLG/frslg.htm>. Select *Auditing and Reporting Resources* for pre GASB 34 statements and *GASB 34 Resources* for the 34 model statements. The statements are available in pdf format under the *Audit Manual* link and in the Excel and Word formats under the *Illustrative Financial Statements* link.

There are three primary issues that we want to highlight in the board of education illustrative statements. The first is the effects on boards of the court ruling regarding supplemental tax and fines and forfeitures revenue for charter schools. Charter schools must be included in distributions of these funds beginning with the 03-04 fiscal year and may request back funds from prior years. We have separate disclosures in the notes for these issues and have tried to illustrate the variety of scenarios in which different units may find themselves. The prospective liability is discussed as a Significant Effect of Subsequent Events in Note VII on the pre GASB 34 illustrative statements and in Note VI on the GASB 34 statements. The liability for prior years is discussed as a contingency in the pre GASB 34 statements in Note VI-Summary Disclosure of Significant Contingencies. The GASB 34 illustrative statements for the Board of Education reflect the liability as a payable, illustrating the treatment when a charter school has requested payment of the prior years' funds. All of these illustrations are assuming the amount owed is material to the unit. No disclosure is required if the amounts owed are immaterial.

The second issue we wish to highlight is the treatment under GASB 34 of capital grants that some LEAs may receive from the federal government through the Federal Grants Fund. While operating grants received through this fund are treated as program revenues under GASB 34, the capital grants are used for projects or expenses that benefit the unit as a whole and cannot be identified with a specific program. These capital grants should be reported as general revenues, as is done with similar finds from the State. On the illustrative GASB 34 statements for the Carolina County Board of Education, we have added two lines to general revenues to report these funds. The GASB 34 revenue allocation worksheet on our website will also be updated for this new revenue source.

The final issue regarding school reporting is the recent legislation allowing schools to finance replacement school buses with installment financing. Based on discussions with the Department of Public Instruction, we have chosen to disclose these financings as commitments at June 30, 2003. While the purchase order was issued during the 02-03 fiscal year, the payment for the purchase will be made out of future years' resources, so no encumbrance has been recorded. In the pre 34 illustrative statements, this disclosure is Note III B 4 – Commitments. On the GASB 34 illustrative statements, the disclosure is Note III A 4 – Commitments.

The statements have been repaginated this year, so there is not a page-by-page list of changes available. To print the entire set of illustrative statements, use the pdf versions that can be found under the *Audit Manual* links in *Auditing and Reporting Resources* and the *GASB 34 Resources* headings.

We hope you find these changes to the statements helpful as you prepare your 2003 financial reports. If you have any questions, please contact Sharon Edmundson at (919) 807-2384 or via email at sharon.edmundson@treasurer.state.nc.us.