



North Carolina Department of State Treasurer

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To: Finance Officers of Public Authorities and Charter Schools and
Certified Public Accountants

From: T. Vance Holloman, Director
Fiscal Management Section

Subject: Reporting Requirements for Special Purpose Governments Under
Governmental Accounting Standards Board (GASB) Statement No. 34

Many public authorities will be implementing GASB Statement No. 34 (Statement 34) for the fiscal year ended June 30, 2003. Most public authorities in this State are considered special purpose governments, rather than general governments such as cities or counties. The reporting requirements for special purpose governments vary by the types of activities and number of programs they operate. The purpose of this memorandum is to establish uniform reporting requirements for special purpose governments.

The reporting requirements for special purpose are discussed in paragraph 134 through 141 of Statement 34. A special purpose government that has **both governmental and business-type activities** should include government-wide and fund financial statements in their basic financial statements. A school board and most charter schools would be an example of such a special purpose government. The reporting requirements for special purpose governments that have **governmental activities only** will depend upon whether the government operates only one or more than one program.

Special purpose governments that have **governmental activities only and operate more than one program** will include government-wide and fund financial statements in their basic financial statements. If a special purpose government that has **governmental activities only and operates only one program**, the government has the option of presenting separate government-wide and fund financial statements in their financial statements, or presenting a combined government-wide and fund financial statement. Government-wide amounts would be presented in one column and fund amounts in another. A column would be presented between the two that reconciles these amounts.

Paragraph 137 of Statement 34 provides guidance in determining if a special purpose government operates one or more than one program. A special purpose government may provide a service that would be classified as a single program in a general government's statements. For instance, the operations of a health district or a mental health district would appear in the program Human Services if provided by a county. This does not mean

would appear in the program Human Services if provided by a county. This does not mean that the special purpose government operates a single program however. If the special purpose government manages, budgets and accounts for its activities as multiple programs, it should report multiple programs in its financial statements.

Our staff has worked with finance officers from public authorities and with the Governmental Accounting and Auditing Committee of the North Carolina Association of Certified Public Accountants to establish a consistent interpretation of how paragraph 137 should be applied to public authorities. It was decided that councils of governments, mental health districts and health districts would be considered to operate multiple programs. The complexity of operations of these units would not be properly presented if a single program were reported. Illustrative government-wide financial statements for these three types of units will be posted to the Department's web site at www.treasurer.state.nc.us . We are working with finance officers to these units to develop consistent reporting of programs so statement users can compare the government-wide statements of each of these types of units.

As stated earlier other special purpose governments that have only **governmental activities and operate only one program** have the option of combining government-wide and fund financial statements. These units would include regional libraries, travel and tourism development authorities, economic development authorities and various other miscellaneous public authorities that provide governmental services only. Illustrative statements that present government-wide and fund amounts for the balance sheet and income statement will be placed upon the Department's website as well.

Special purpose governments engaged in **business-type activities only** would only include enterprise fund financial statements in their basic financial statements. Examples of these entities would include public hospitals, public housing authorities, water and/or sewer authorities and districts, sanitary districts, mass transit authorities, airport authorities and other public authorities that provide business-type activities only.

Some airport authorities and mass transit authorities have, in prior years, reported their activities using governmental funds, though most of these units use enterprise funds to account for their activities. We encourage those units that have used governmental funds in prior years to begin to report using enterprise funds once they implement Statement 34. All units must gather the data needed to report on the full accrual basis for the government-wide statements. Producing governmental fund statements using a different basis of accounting will only require additional resources from the unit and their auditors. In addition, the statements for those units will be less comparable to similar units that report only on the full accrual basis. However, if an entity chooses to include governmental fund statements in their report, this office will accept those reports, assuming that all other requirements are met

All special purpose governments also should include management's discussion and analysis (MD&A), the notes to the financial statements and all required supplemental financial information in their general purpose external financial statements. Additional combining

schedules and other supplemental schedules needed to show compliance with General Statutes also must be included in the financial statements.

This office receives a limited number of reports from miscellaneous pension plans. These units that are **engaged in fiduciary activities only** should include only fiduciary fund financial statements in their basic financial statements. The financial statements should include the MD&A and the notes to the financial statements. Any additional supplementary combining schedules and other supplemental information needed to show compliance with General Statutes also must be included in the financial statements.

Sample audit opinions for units that do not include both government-wide and fund financial statements in their basic financial statements are available on the Department's web site.

All **charter schools** are required to implement Statement 34 for the fiscal year ending June 30, 2004. This office will prepare illustrative financial statements for charter schools at that time. We encourage charter schools not to early implement Statement 34.

If you have any questions about this memorandum please contact Sharon Edmundson (919-807-2384 or sharon.edmundson@treasurer.state.nc.us) or Sara Shippee (919-807-2356 or sara.shippee@treasurer.state.nc.us).