
NOTES TO THE FINANCIAL STATEMENTS

NOTE 18: CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

Effective July 1, 2001, the State implemented the following new financial accounting and reporting standards issued by the GASB:

- Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments (as amended by Statement No. 37)*
- Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*
- Statement No. 38, *Certain Financial Statement Note Disclosures (paragraphs 6 through 11 only)*
- Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.*

Statement No. 34 establishes new financial reporting requirements for state and local governments throughout the United States. For the first time, government-wide financial statements now accompany the traditional fund-based financial statements. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. In addition, the fund financial statements now focus on a government’s most important or “major” individual funds. Statement No. 34 also made several changes in fund definitions and eliminated the two account groups for general fixed assets and general long-term obligations. As a result, the State’s capital assets, including infrastructure assets, and long-term obligations are included in the balances of the government-wide statements. The basic financial statements are preceded by a Management’s Discussion and Analysis, which is required supplementary information (RSI). Furthermore, the budgetary information for the General Fund is now presented in the RSI, rather than as part of the basic financial statements.

Statement No 35 establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of Statement No. 34. The University of North Carolina System and community colleges, which are reported as discretely presented component units, have implemented the requirements of Statement Nos. 34 and 35.

Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosure requirements. Paragraphs 6 through 11 of the standard became effective this fiscal year. These paragraphs impact disclosures related to the summary of significant accounting policies, debt and lease obligations, and violations of finance related legal or contractual provisions. The remaining provisions of Statement No. 38 will be implemented in the fiscal year ending June 30, 2003.

Interpretation No. 6 clarifies the existing modified accrual standards for distinguishing the portion of a liability that should be reported as a governmental fund liability and expenditure from the portion that should be reported as a general long-term liability (i.e., government-wide reporting only).

The accounting changes adopted to implement these new GASB pronouncements were reported as a restatement of beginning net assets, fund balance, or fund equity as appropriate (see Note 19). Also, the beginning asset and liability balances of the State’s agency funds have been restated.
