
NOTES TO THE FINANCIAL STATEMENTS

NOTE 20: CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2004, the State implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

- GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units: an amendment of GASB Statement No. 14.*
- GASB Technical Bulletin No. 2004-1, *Tobacco Settlement Recognition and Financial Reporting Entity Issues.*

GASB Statement No. 39 amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with a primary government. The standard impacts the University of North Carolina System and community colleges (component units of the State of North Carolina) by requiring them to report their significant, private fund-raising foundations (and similarly affiliated organizations) as component units.

GASB Technical Bulletin No. 2004-1 clarifies recognition guidance for payments made to the State of North Carolina and other settling governments pursuant to the Master Settlement Agreement with the major tobacco companies (see Note 19). This pronouncement clarifies that settling governments should recognize a receivable and revenue for the tobacco settlement based on the underlying domestic shipment of cigarettes.