
SECTION D

REPORTING AND AUDITING REQUIREMENTS SPECIAL PURPOSE GOVERNMENTS (INCLUDING RELATED COMPONENT UNITS)

Emergency Communications Districts

Background

Emergency communications districts (ECDs) are created under the authority of Title 7, Chapter 86, *Tennessee Code Annotated (TCA)*. The purpose of an ECD is to provide an emergency communications service whereby a public safety answering point may receive telephone calls dialed to the 911 telephone number. A voter referendum is required for the creation of an ECD. Section 7-86-106, *TCA*, provides that ECDs are municipalities or public corporations. The powers are vested in a board of directors. Funds to operate ECDs are largely generated from a monthly telephone charge levied on all telephone customers in a district.

Financial Reporting

General

Emergency communications districts should be accounted for as enterprise funds on the accrual basis of accounting. Accounting and financial reporting requirements for emergency communications districts are included in the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* published by the Comptroller of the Treasury.

Typically, emergency communications districts are component units of county governments. There are a few that are component units of municipal governments or are joint ventures.

Housing Authorities

Background

Housing authorities in Tennessee are authorized to be created under Title 13, Section 20, *Tennessee Code Annotated*, and are bodies corporate and politic. Housing authorities are created to provide shelter to lower income citizens and frequently receive substantial capital and operating programs from the U.S. Department of Housing and Urban Development (HUD).

Financial Reporting

General

Housing authorities are required to maintain accounts and present financial statements which comply with the reporting requirements established by the Governmental Accounting Standards Board (GASB). The basic financial statements of all housing authorities should comply with the provisions of the Governmental Accounting Standards Board, as detailed in the *Codification of Governmental Accounting and Financial Reporting Standards*.

Additional Requirements of the Comptroller's Office

Division of Municipal Audit

1. An opinion on whether the accompanying information is fairly stated in all material respects in relation to the basic financial statements taken as a whole is preferred for ALL supplementary information. However, at a minimum the combining statements, as well as the Schedule of Expenditures of Federal Awards and State Financial Assistance must be opined on in relation to the basic financial statements.
2. A Schedule of Expenditures of Federal Awards and State Financial Assistance. (This schedule is required if the organization has expended any subrecipient funds, regardless of the amount expended. In addition, the composition of the schedule should conform to the example in *Section A*, which exceeds OMB requirements.)
3. Supplemental information must include fund information for discretely presented component units that do not issue a separate audit report.

Public Utility Districts

Background

Public utility districts in Tennessee are created under the authority of Title 7, Chapter 82, *Tennessee Code Annotated*, the Utility District Law of 1937. Utility districts created under this chapter are empowered to operate and maintain a system for furnishing any of the following: water, sewer, sewage disposal, natural gas, police, fire protection, garbage collection and garbage disposal, street lighting, parks and recreational facilities, transit facilities, community antenna television service, and transmission of industrial chemicals by pipeline to or from industries or plants within the boundary of the district. ([GO TO SELECTED LAWS – APPENDIX D](#))

Although this law empowers a public utility district to furnish any of the above, most districts confine their services to furnishing water and/or sewer, or natural gas.

Financial Reporting

General

Public utility districts maintain their accounting systems on the accrual basis, with the exception that revenue from utility sales may be recognized when billed. This method is widely accepted because of the difficulty in measuring utility services sold before the audit cutoff date. The amount of revenue earned and not recognized at year-end will be offset by the amount carried forward from the preceding year, and any net difference is generally minor. The basic financial statements of all utility districts should comply with the provisions of the Governmental Accounting Standards Board, as detailed in the *Codification of Governmental Accounting and Financial Reporting Standards*. Accounting procedures applicable to utility districts are set forth in the *Uniform Accounting Manual for Tennessee Utility Districts* published by the Comptroller of the Treasury. Additional guidelines can be found in the Government Finance Officers Association's 2005 *Governmental Accounting, Auditing, and Financial Reporting*, commonly known as the Blue Book.

Additional Requirements of the Comptroller's Office

Division of Municipal Audit

1. An opinion on whether the accompanying information is fairly stated in all material respects in relation to the basic financial statements taken as a whole is preferred for ALL supplementary information. However, at a minimum any combining and individual financial statements, the utility detail required by item 6 below, and the Schedule of Expenditures of Federal Awards and State Financial Assistance must be opined on in relation to the basic financial statements.
2. A Schedule of Expenditures of Federal Awards and State Financial Assistance.

Reporting and Auditing Requirements – Special Purpose Governments - Section D

(This schedule is required if the organization has expended any subrecipient funds, regardless of the amount expended. In addition, the composition of the schedule should conform to the example in [Section A](#), which exceeds OMB requirements.)

3. Schedule(s) of Long-Term Debt, Principal, and Interest Requirements (e.g., bonds, notes, and other long-term debt–by individual issue) by Fiscal Year.
4. Utility Rate Structure and Number of Customers
5. Unaccounted for Water (See Example Schedule in [Appendix A](#)). This schedule must be used in the exact format presented in Appendix A.
6. If the district provides several utility services and accounts for all of those activities in a single fund, detailed schedules that provide information consistent with what would have been presented in fund financial statements should be included in supplemental information for each division/department (i.e., assets, liabilities and net assets; revenues, expenses, and changes in net assets; and cash flows). If sufficiently detailed information is included in the notes to the financial statements, these additional schedules are not required. This information is necessary to demonstrate compliance with state laws regarding utility operations.

Public Charter Schools

Background

Public charter schools are authorized to be created by TCA 49-13-101. They can be created for several reasons, as spelled out in TCA 49-14-106. All public charter school systems have a fiscal year end of June 30, and must be audited annually.

The Board of Education of public charter schools is required to maintain their accounts and records in accordance with generally accepted accounting principles and in conformance with the uniform chart of accounts and accounting requirements prescribed by the Comptroller of the Treasury. The internal school funds (activity, centralized or noncentralized cafeteria funds, and other internal school funds) of public charter schools should be accounted for and reported on in the same manner as the internal school funds of municipal school systems, as provided for in *Section F* of this manual.

Financial Reporting

General

The basic financial statements of all public charter schools should comply with the provisions of the Governmental Accounting Standards Board, as detailed in the *Codification of Governmental Accounting and Financial Reporting Standards*.

Additional Requirements of the Comptroller's Office

Division of Municipal Audit

1. An opinion on whether the accompanying information is fairly stated in all material respects in relation to the basic financial statements taken as a whole is preferred for ALL supplementary information. However, at a minimum the Schedule of Expenditures of Federal Awards and State Financial Assistance must be opined on in relation to the basic financial statements.
2. A Schedule of Expenditures of Federal Awards and State Financial Assistance. (This schedule is required if the organization has expended any subrecipient funds, regardless of the amount expended. In addition, the composition of the schedule should conform to the example in *Section A*, which exceeds OMB requirements.)

Other Special Purpose Governments

Background

Many of the organizations in this category have in the past been referred to as quasi-governmental organizations. Generally, quasi-governmental agencies included development districts, human resource agencies, educational co-ops, and other organizations [except for municipalities, counties (and their political subdivisions), and state colleges and universities] whose charters are included in *Tennessee Code Annotated*. However, the other special purpose governments category is broader and encompasses those agencies previously considered to be quasi-governmental, as well as other entities which meet the definition of a government, such as:

- joint ventures established by 2 or more counties and or municipalities under the provisions of various state statutes including, but not limited to TCA ;5-1-113, 5-1-114, 6-33-107, 7-56-105, and 12-9-104;
- joint economic and community development boards, as provided for in TCA 6-54-118,
- public building authorities, as provided for in TCA 12-10-101 et al; and
- industrial development boards, as provided for in TCA 12-9-104.

Such organizations should follow the accounting and reporting guidance established by the Governmental Accounting Standards Board related to a comprehensive annual financial report (CAFR), as applicable.

Financial Reporting

General

The basic financial statements of all special purpose governments should comply with the provisions of the Governmental Accounting Standards Board, as detailed in the *Codification of Governmental Accounting and Financial Reporting Standards*.

Additional Requirements of the Comptroller's Office

Division of Municipal Audit

Those special purpose governments that are required to submit their financial report to the Division of Municipal Audit should include:

1. An opinion on whether the accompanying information is fairly stated in all material respects in relation to the basic financial statements taken as a whole is preferred for ALL supplementary information. However, at a minimum any combining and individual financial statements, the utility

Reporting and Auditing Requirements – Special Purpose Governments - Section D

detail required by item 4.c. below, and the Schedule of Expenditures of Federal Awards and State Financial Assistance must be opined on in relation to the basic financial statements.

2. A Schedule of Expenditures of Federal Awards and State Financial Assistance. (This schedule is required if the organization has expended any subrecipient funds, regardless of the amount expended. In addition, the composition of the schedule should conform to the example in [Section A](#), which exceeds OMB requirements.)
3. Schedule(s) of Long-Term Debt, Principal, and Interest Requirements (e.g., bonds, notes, and other long-term debt–by individual issue) by Fiscal Year – All Funds.
4. If the special purpose government provides utilities to other governments and/or to private citizens, the financial report must include the following schedules, as applicable:
 - a. Utility Rate Structure and Number of Customers
 - b. Unaccounted for Water (See Example Schedule in [Appendix A](#)). This schedule must be used in the exact format presented in Appendix A.
 - c. If the special purpose government provides several utility services and accounts for all of those activities in a single fund, detailed schedules that provide information consistent with what would have been presented in fund financial statements should be included in supplemental information for each division/department (ie, assets, liabilities and net assets; revenues, expenses, and changes in net assets; and cash flows). If sufficiently detailed information is included in the notes to the financial statements, these additional schedules are not required. This information is necessary to demonstrate compliance with state laws regarding utility operations.

Note: Limited distribution utilities, i.e., utility systems that provide service only to other governments and not to private citizens, are not subject to the oversight of the Utility Management Review Board and the Water and Wastewater Financing Board (TCA 7-82-401(g)(1) and TCA 68-221-1010(a)).