

THE FASB/GASB DEFINITION OF GOVERNMENT*

Public corporations and bodies corporate and politic are governmental organizations. Other organizations are governmental organizations if they have one or more of the characteristics listed below:

- a. Popular election of officers or appointment (or approval) of a controlling majority of the members of the organization's governing body by officials of one or more state or local governments.
- b. The potential for unilateral dissolution by a government with the net assets reverting to a government.
- c. The power to enact and enforce a tax levy.

Furthermore, organizations are presumed to be governmental if they have the ability to issue directly (rather than through a state or municipal authority) debt that pays interest exempt from federal taxation. However, organizations possessing only that ability (to issue tax-exempt debt) and none of the other governmental characteristics may rebut the presumption that they are governmental if their determination is supported by compelling, relevant evidence.

*This is the agreement of the FASB and GASB on this subject, in its entirety, as reprinted on page 16 of the July 1996 issue of the AICPA's *Journal of Accountancy*.