

STATE OF MAINE

GUIDANCE PACKAGE FOR COMPONENT UNITS



*FOR AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009*



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REPORTING REQUIREMENTS

The Office of the State Controller will prepare a Comprehensive Annual Financial Report (CAFR) for fiscal year 2009 in accordance with 5 M.R.S.A. § 1547. This report will include the following entities as component units based on the Governmental Accounting Standards Board Statement #14, as amended by Governmental Accounting Standards Board Statement #39:

Child Development Services System	Maine Municipal Bond Bank
Finance Authority of Maine	Maine Port Authority
Jobs for Maine's Graduates, Inc.	Maine Rural Development Authority
Loring Development Authority	Maine School of Science & Mathematics
Maine Community College System	Maine State Housing Authority
Maine Educational Center for the Deaf and Hard of Hearing	Maine Public Employees Retirement System
Maine Educational Loan Authority	Maine Technology Institute
Maine Governmental Facilities Authority	Midcoast Regional Development Authority
Maine Health and Higher Educational Facilities Authority	Northern New England Passenger Rail Authority
Maine Maritime Academy	Small Enterprise Growth Fund
	University of Maine System

We are requesting that you send your GASB 34 compliant audited financial statements and notes to us by **October 15, 2009**, in accordance with 5 M.R.S.A. § 1547. In the event that the audited financial report has not been formally presented to the entity's Board of Directors, we will accept draft financial statements and notes as an interim measure to facilitate incorporating that information into our CAFR. Additionally, we would appreciate those component units with a calendar year end sending the audited financial statements to us as soon as they are available.

Draft Financial Statements Transmittal Letter

Because some Component Units' financial reports will not have been approved by their Board of Trustees by the October 15th deadline, we request that you submit a copy of the draft financials to us. The draft must be represented to the Office of the State Controller as ready for acceptance by the Board of Trustees. To facilitate this, we are requesting that you sign a Draft Financial Statements Transmittal Letter. A copy of this letter is attached.

GASB 34 Statement of Activities

The State must present a Statement of Activities for component units, in accordance with GASB 34. We therefore require your audited financial statements to include revenue and expense information in this format. This is necessary even if your financial statements are in compliance with GASB 34 without it. It can be presented as part of the financial statements, or as a supplemental schedule, but **must** be included by your auditors as part of their opinion.

GASB 34 requires segregation of revenue into the following categories: *Charges for Services*, *Operating Grants/Contributions*, *Capital Grants/Contributions*, and *General Revenues*. General revenues should be further classified as *Unrestricted interest and investment earnings*, *Non-program specific grants, contributions and appropriations*, *Gain/loss on assets held for sale*, *Extraordinary items*, or *Miscellaneous income*. Please see the attached Excel file for our suggested presentation.



NOTES TO THE FINANCIAL STATEMENTS

To simplify reporting, we are including an Excel file containing forms to be completed for the disclosure information. Please use these standardized forms to submit the information requested.

The State must include supporting schedules as part of the component unit presentation. Consequently, we are requesting additional detail for the footnote disclosures. We may also require assistance to reconcile activity between the State and the component unit. Timely submission of these schedules is critical since a series of material adjustments to the State's financial statements and note disclosures will be necessary. Please include the following schedules along with your audited financial statements and note disclosures.

Restatement of Fund Balances/Net Assets

If June 30, 2008 fund balance/net assets have been restated (or December 31, 2007 for calendar year entities), please include a detailed schedule reconciling to the June 30, 2008 (or December 31, 2007) fund balance/net assets as previously reported.

Amounts Receivable

If the Statement of Net Assets presents amounts receivable net of allowances for uncollectible, please provide a detailed schedule that disaggregates each balance. The schedule should report the gross receivables balances and the gross allowances for uncollectible accounts, separately for each of the following categories: *Due From Other Governments, Due From Primary Government, Loans, Notes, Other* and any other categories you use to report material receivable balances.

Capital Assets

If the Statement of Net Assets presents capital assets net of accumulated depreciation, please provide a detailed schedule that disaggregates each balance. The schedule should report the gross capital asset balances and the gross accumulated depreciation, separately for each of the following categories: *Land, Buildings, Equipment, Improvements other than Buildings, Construction in Progress, Infrastructure* and any other categories you use to report material capital asset balances. Additionally, the schedule should report beginning of the year balances, additions, retirements and end of the year balances for each category. In accordance with GASB #42, component units must evaluate prominent events or changes in circumstances affecting capital or other assets to determine whether impairment has occurred.

Bonds and Notes Outstanding

Please provide a schedule of bonds and notes outstanding net of unamortized discount or premium. Include detail of interest rates, amounts, and maturity dates as well as beginning of the year balances, additions, reductions, end of the year balances, and amounts due within one year.

Maturities of General Long Term Obligations

Please provide a schedule of principal and interest requirements to maturity, presented separately for each of the next five years and in five year increments thereafter. If obligations include variable rates, please include the conditions under which interest rates change.

Capital and Operating Lease Schedules

If you have not presented capital and operating lease schedules in your notes, please furnish them to us. The schedule must list the present value of future minimum lease payments for capital and operating leases (separately) for each of the next five years and in five year increments thereafter. The aggregate amount representing interest over those years must also be shown as a separate amount for each of the lease types.

Interagency Transactions



The financial relationship between the reporting entity (the State) and the component units is the primary focus of GASB Statement 14, as amended by GASB Statement #39. The total dollar amount and volume of interagency transactions has made this one of the most difficult areas for us to report accurately and completely. The State must reconcile the amount reported as *Due to/from Component Units* with the amount you report as *Due to/from Primary Government*. Please provide a detailed list for any amounts due to/from Primary Government, including State appropriation number OR agency, program, and grant number.

If you combine amounts due to/from the Federal Government or State with any other receivable amounts on your financial statements, please provide a schedule that disaggregates these amounts.

Please also provide a detailed schedule of payments received from the State and the associated State appropriation number if the intended purpose of such payments is not evident from the face of the financial statements or in the note disclosures.

Moral Obligation Debt

Entities with capital reserve provisions should provide a schedule showing the amount of bonds outstanding, the required debt reserve, and the moral obligation debt limit as of the end of the fiscal year.

REPORTING CERTAIN COMPONENT UNIT TRANSACTIONS

Some component units should revise their note disclosures based on the following clarifications:

State Cash Pool Funds

Entities reporting year end balances in State cash pool funds should disclose the fund as an internal investment pool. The only entities investing in the State's cash pool are state agencies or component units of the State. In accordance with GASB 31, Certain Investments and External Investment Pools paragraph 22, the investment pool should be reported accordingly.

Pension and Other Post-Employment Benefit (OPEB) Disclosures

Component units who use Maine Public Employees Retirement System (MPERS) as their defined pension plan and group life insurance administrator should disclose this activity as agent multiple-employer defined benefit pension and OPEB plans, respectively.

Component units who use the State's health insurance plans have OPEB liabilities and employer assets to record and disclose. Information for the most recent valuations can be found at <http://www.maine.gov/osc/admin/actuarialreports.htm> or by contacting April Newman.

State Risk Management Insurance

The State allows other entities to use the State's Risk Management insurance plans covering property, vehicle, boat and aircraft, tort, civil rights, employee bonds, police and professionals, and a variety of other insurance products. In accordance with GASB 10 *Accounting and Financial Reporting for Risk Financing and Related Issues* paragraph 76, the State's activities do not meet the definition of public entity risk pool. The State is the largest participant in the fund and properly records these activities in an internal service fund.

**HOW TO REPORT**

Please submit a copy of your audited financial statements and all required supporting schedules by **October 15, 2009** to:

April Newman, CPA
Office of the State Controller
Financial Reporting and Analysis
14 State House Station
Augusta, Maine 04333-0014

Information provided by e-mail (preferred): april.d.newman@maine.gov

Please send a duplicate copy to:

Dick Foote, Deputy State Auditor
State Department of Audit
66 State House Station
Augusta, Maine 04333-0066

Information provided by e-mail (preferred): richard.foote@maine.gov

We would appreciate electronic submission if possible. Please identify primary contacts for follow-up questions from the Office of the State Controller and the Department of Audit, including: name, email address, telephone and fax numbers.

April Newman, the Office's liaison with your agency, will be available to help you interpret the closing package instructions and to assist you in developing methodologies for compiling information in order to meet the October 15 deadline.

RELEVANT ISSUES

The State of Maine implemented GASB 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for the fiscal year ended June 30, 2008. See Pension and Other Post-Employment Benefit section for further information.

The State of Maine implemented GASB 49 *Accounting and Financial Reporting for Pollution Remediation Obligations* in fiscal year ended June 30, 2009. Component units should implement this statement during this fiscal year cycle (December 31, 2008 or June 30, 2009). A summary of the requirements can be found at <http://www.gasb.org/st/summary/gstsm49.html>.

The State of Maine implemented GASB 52 *Land and Other Real Estate Held as Investments by Endowments* in fiscal year ended June 30, 2009. Component units should implement this statement for fiscal year ended June 30, 2009 or December 31, 2009. GASB 52 requires governments to report land and real estate held in endowment funds at fair value. Governments are also required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value.

In accordance with GASB Statement 14, paragraph 65, you must disclose in the notes to your financial statements that you are a component unit of the State and describe your relationship with the State.

Entities that receive federal funding should be audited in accordance with generally accepted governmental auditing standards (yellow book). The audit opinion should indicate that you were "audited



in accordance with *Governmental Auditing Standards*.” Additionally, your entity should have an unqualified audit opinion.

UPCOMING GASB PRONOUNCEMENTS

Two additional GASB’s will need to be implemented: GASB 51 *Accounting and Financial Reporting for Intangible Assets* and GASB 53 *Accounting and Financial Reporting for Derivative Instruments*. Both need to be implemented for fiscal year ended June 30, 2010 or December 31, 2010. Implementation will require having systems in place to capture the costs prior to those dates. Summaries of these statements can be found at <http://www.gasb.org/st/summary/gstsm51.html> and <http://www.gasb.org/st/summary/gstsm53.html>.

If you have any questions related to the guidance package or any other issue related to the implementation of GASB Statement 14, please contact **April Newman** by phone at (207) 626-8436 or by email at april.d.newman@maine.gov.

IF YOU SUBSEQUENTLY CHANGE ANY INFORMATION THAT HAS BEEN PROVIDED TO OUR AUDITORS IN RESPONSE TO A REQUEST FROM THEM, PLEASE FURNISH DUPLICATE COPIES OF THOSE CHANGES TO US.

Thank you very much for your careful attention in completing this reporting package. We sincerely appreciate your time and assistance.