

STATE OF MAINE

GUIDANCE PACKAGE FOR COMPONENT UNITS



*FOR AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004*



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REPORTING REQUIREMENTS

The Office of the State Controller will prepare a Comprehensive Annual Financial Report (CAFR) for fiscal year 2004 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:

Child Development Services System	Maine Municipal Bond Bank
Finance Authority of Maine	Maine Port Authority
Governor Baxter School for the Deaf	Maine Rural Development Authority
Loring Development Authority	Maine School of Science & Mathematics
Maine Community College System	Maine State Housing Authority
Maine Educational Loan Authority	Maine State Retirement System
Maine Governmental Facilities Authority	Maine Technology Institute
Maine Health and Higher Educational Facilities Authority	Northern New England Passenger Rail Authority
Maine Maritime Academy	University of Maine System
Maine Military Authority	

The State of Maine implemented GASB Statement 34 for the fiscal year ended June 30, 2002. Because they are included with the primary government as part of the State of Maine reporting entity, component units also **must comply** with GASB Statements 34 and 35 (for college and university funds). We are requesting that you send your GASB 34 compliant audited financial statements and notes to us by **October 15, 2004**, 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. This will also facilitate more timely inclusion in our CAFR.

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. It can be presented as part of the financial statements, or as a supplemental schedule, but should 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 attached Excel file for suggested presentation.



NOTES TO THE FINANCIAL STATEMENTS

To simplify reporting, this year 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, 2003 fund balance/net assets have been restated (or December 31, 2002 for calendar year entities), please include a detailed schedule reconciling to the June 30, 2003 (or December 31, 2002) fund balance/net assets as previously reported.

Deposits

This schedule categorizes deposits as *Cash and Cash Equivalents*, *Cash with Fiscal Agent* and *Restricted Deposits* per GASB Statement 3. If your agency participates in the Treasurer's Cash Pool, the State will categorize an allocated share of the Pool for the component unit portion. Please provide the categorization of deposits per your bank statements, including the bank statement balance as of June 30, 2004 (or December 31, 2003 for calendar year end entities).

Investments

This schedule requires that the component unit categorize investments according to the three risk categories defined by GASB Statement 3. We categorize the following investment vehicles in the note:

- Cash and Cash Equivalents
- US Government and Agency Obligations
- Repurchase Agreements
- Commercial Paper
- Corporate Bonds and Notes
- Equity Securities
- Investment Contracts
- Restricted Investments
- Other

You may use additional categories for material investment balances.

The State allocates component unit amounts invested in the Treasurer's Cash Pool to each of the various investment vehicles that comprise the pool. Consequently, we do report the Treasurer's Cash Pool as a separate investment vehicle.

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.

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 lease (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. 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*. Although we are able to determine the fund and function in which to report this activity from our data warehouse, we may still need your help to reconcile that activity to the amounts you report.

If you combine amounts due from/to the Federal Government and State into one category 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 intended purpose of such payments if 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.

**HOW TO REPORT**

Please submit a copy of your audited financial statements and all required supporting schedules by **October 15, 2004** to:

Heather L. Perreault, CPA
Office of the State Controller
Financial Reporting and Analysis
14 State House Station
Augusta, Maine 04333-0014

Please send a duplicate copy to:

State Department of Audit
66 State House Station
Augusta, Maine 04333-0066

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.

Heather Perreault, the Bureau'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 will be implementing GASB 39 "Determining Whether Certain Organizations are Component Units" for the fiscal year ending June 30, 2004. The changes required by this statement will primarily affect private foundations that are potential component units. Please review the status of any private foundations or other entities related to your organization to determine if they will need to be included as component units under this new guidance, on your own financial statements for this fiscal year.

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.

If you have any questions related to the guidance package or any other issue related to the implementation of GASB Statement 14, please contact **Heather Perreault** by phone at (207) 626-8437 or by email at heather.l.perreault@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.