

# STATE OF MAINE

## GUIDANCE PACKAGE FOR COMPONENT UNITS



*FOR AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016*



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**REPORTING REQUIREMENTS**

The Office of the State Controller will prepare a Comprehensive Annual Financial Report (CAFR) for fiscal year 2016 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 #61:

Child Development Services System	Maine Municipal Bond Bank
ConnectME Authority	Maine Port Authority
Efficiency Maine Trust	Maine School of Science & Mathematics
Finance Authority of Maine	Maine State Housing Authority
Loring Development Authority	Maine Public Employees Retirement System
Maine Community College System	Maine Technology Institute
Maine Educational Center for the Deaf and Hard of Hearing	Maine Turnpike Authority
Midcoast Regional Redevelopment Authority	Maine Educational Loan Authority <sup>1</sup>
Maine Governmental Facilities Authority	Northern New England Passenger Rail Authority
Maine Health and Higher Educational Facilities Authority	Small Enterprise Growth Fund
Maine Maritime Academy	University of Maine System

<sup>1</sup> prior to its merger with FAME

We are requesting that you send your GASB 34 compliant audited financial statements and notes to us by **October 15, 2016**, 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. Final audited financial statements should be submitted electronically no later than November 1, 2016. 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 15<sup>th</sup> 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 Position**

If the total amount of the opening net position or net fund balance changes, please include a detailed schedule reconciling totals reported last year to opening balances reported this year.

### **Amounts Receivable**

If the Statement of Net Position 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 Position 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 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 and #61. 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. On the Excel spreadsheet, note whether the amounts are included as Deferred Inflows or Deferred Outflows.

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.

**HOW TO REPORT**

Please e-mail a copy of your audited financial statements and all required supporting schedules in Excel by **October 15, 2016** to: [april.d.newman@maine.gov](mailto:april.d.newman@maine.gov); with a copy to: [heidi.mcdonald@maine.gov](mailto:heidi.mcdonald@maine.gov). Submissions e-mailed do not need to provide subsequent hard copies.

If financial statements and supporting schedules cannot be provided by e-mail, please send one set to each of the following individuals:

April Newman, CPA  
Financial Management Coordinator  
Office of the State Controller  
14 State House Station  
Augusta, Maine 04333-0014

Heidi McDonald, CPA  
Audit Manager  
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, e-mail 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 AND UPCOMING DEADLINES**

<b>GASB Statement</b>	<b>GASB Title</b>	<b>GASB Implementation Effective for Periods Beginning After</b>
72*	Fair Value Measurement and Application	June 15, 2015
73*	Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68	June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016
74*	Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans	June 15, 2016
75*	Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions	June 15, 2017
76*	The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments	June 15, 2015
77*	Tax Abatement Disclosures	December 15, 2015
78*	Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans	December 15, 2015
79	Certain External Investment Pools and Pool Participants	June 15, 2015, except for the provisions in paragraphs 18, 19, 23–26, and 40, which are effective for reporting periods beginning after December 15, 2015

\* These statements require retroactive restatement for all periods presented.

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 **April Newman** by phone at (207) 626-8436 or by e-mail at [april.d.newman@maine.gov](mailto: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.**