

# STATE OF MAINE

## GAAP FINANCIAL STATEMENTS CLOSING PACKAGE



*FOR THE FISCAL YEAR ENDED JUNE 30, 2004*



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## GAAP INSTRUCTIONS — FISCAL YEAR 2004

### FINANCIAL REPORTING TEAM

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### INTRODUCTION

Throughout the year the State of Maine (the State) processes transactions using the statutory basis of accounting, often referred to as the “budgetary basis.” For its *Comprehensive Annual Financial Report (CAFR)*, the State reports on the basis of generally accepted accounting principles (GAAP) as defined by the Governmental Accounting Standards Board. The financial statements are prepared using a modified accrual or accrual basis of accounting, whichever is appropriate. “Basis of accounting” refers to *when* revenues, expenditures, expenses, and transfers – and the related assets and liabilities – are recognized in the accounts and reported in the financial statements. In order to convert MFASIS data from the budgetary to the GAAP basis, the Financial Reporting Team must obtain supplementary information from other State Departments, Bureaus, and Divisions.

Title 5 MRSA §1547, subsection 4 requires agencies to provide financial information to the Office of the State Controller by September 1 following the close of the fiscal year. Please send accruals and other closing information identified in this closing package, along with the GAAP information checklist on page 32, to the Financial Reporting Team in the Controller’s office by that date (electronic transmission is preferable). Additionally, please identify primary contacts within your agency for follow up questions from the Controller’s Office and the Department of Audit. Note that sections of this closing package do not apply to all agencies. The first section includes general information, which applies to everyone. The second section is agency-specific. Please direct questions to your liaison in the Controller’s office.

Agencies are responsible for preparing, submitting and retaining copies of auditable supporting documentation for all of the GAAP information submitted. Any changes or corrections to information originally submitted must also be sent to the Controller’s Office.



If estimates are used, please describe the procedures, assumptions, computations and methods used to develop the estimates. Retain all documentation for seven years after audit.

When preparing GAAP accruals, use the same account and object/revenue source coding required on journal vouchers to enable the Controller's Office to record information in appropriate revenue, expenditure/expense and balance sheet categories.

There is a checklist at the end of this document that outlines the asset, liability, revenue and expenditure/expense accruals that are necessary to convert MFASIS figures to a GAAP basis.

\*\*\* *Unless otherwise noted, the accruals should **not** be made directly in MFASIS.*

## GENERAL INFORMATION

There are two types of financial statements included in the State's CAFR: government-wide financial statements and fund financial statements. The government-wide financial statements report information about the overall government without displaying individual funds. These statements measure and report all assets, liabilities, revenues, expenses, gains and losses using the full accrual basis of accounting. The fund financial statements report additional and detailed information about the government by displaying individual funds, using either the modified accrual or full accrual basis of accounting, as appropriate.

**Modified Accrual Basis of Accounting** — applies to governmental funds (fund numbers ranging from 010 through 019) and fiduciary funds that follow governmental accounting, including fund numbers 075, 085 and 089.

Governmental funds do not record fixed assets or the related debt directly in the funds. However, there are other assets and liabilities that must be recorded and significant accruals of revenues and expenditures that must be made. These accruals should be reported to the Controller's Office and should not be recorded directly in MFASIS.

Under the modified accrual basis of accounting, revenues should be recognized when they become measurable and available (usually meaning collectible within 60 days of the end of the fiscal year). Expenditures should be recognized when the fund liability is incurred, if measurable.

**Full Accrual Basis of Accounting** — applies to proprietary funds (fund numbers ranging from 030 through 067) and fiduciary funds that follow proprietary accounting, including fund numbers 070, 071, 082, 087 and 088.

Proprietary funds must accrue everything, and accruals should be made directly in MFASIS, if possible.

Under the full accrual basis of accounting, revenues should be recognized when they are earned and become measurable (regardless of when they are collected). Expenses should be recognized when incurred, if measurable.



### Revenues and Amounts Receivable

When revenue is earned and an amount is due to the State at June 30, the amount must be accrued as revenue and recorded as receivable at fiscal year end. Agencies must report the total accounts receivable outstanding, their estimates of and methodology for estimating the uncollectible portion, and the amount that must be deferred. **These amounts should not be netted.**

*Revenue is earned* when the underlying transaction has been completed and the amount is measurable, for full accrual accounting. For modified accrual accounting, revenue is earned when the underlying transaction has been completed, the amount is measurable, and the funds are *available*. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. In general, payments received within 60 days of the fiscal year end are considered to be available. See also the discussion of *Deferred Revenue* below.

Revenues and related receivables must be accrued at year end for all revenue sources of \$1 million or more annually. Revenues that must be accrued include: property taxes, sales and income taxes, fines and assessments, routinely provided services, most grants from other governments and Medicaid reimbursements for services provided in hospitals, nursing homes, or by other providers. Interest and dividends must also be accrued in the trust funds.

A receivable should be recorded when revenue is recognized but payment has not been received by the end of the fiscal year. For example, your agency assesses taxes due, charges for license fees, or provides goods or services to customers before June 30, but has not received payment for the services by that date. Any backlog of unbilled items at June 30, for assessments and transactions that occurred prior to June 30, should also be included in the recognition of revenue and recording of receivables.

*Deferred revenue* - Governmental funds should record as deferred revenue amounts that are due by June 30 but not expected to be collected within 60 days of that date. For example, a taxpayer pays a portion of his/her total taxes due, but an amount remains outstanding at June 30. This amount will eventually be collected but it will not be collected within 60 days of year-end. In this situation, the asset (taxes receivable) must be reported but the related revenue must be deferred. To properly record this amount, the agency would debit the appropriate receivable account and credit deferred revenue (a liability account – 0233). If you estimate that a portion of the receivable will not be collectible, credit the appropriate reserve for uncollectible amounts (0030 for taxes receivable, and 0031 for other receivables) for that portion, and credit deferred revenue for the balance that will be collected. Make sure to debit the appropriate receivable account for the full amount due.

Amounts that are received prior to June 30, but are not yet earned, must also be deferred. For example, if an entity has chosen to prepay an expense/expenditure, resulting in unearned income to you, you must also credit deferred revenue. If the revenue has already been recorded, debit the original revenue category and credit deferred revenue.

*Classification of amounts receivable* – for all accruals of revenues and amounts receivable, please provide the following information: amount expected to be collected within 60 days, amount expected to be collected between 61 days and 12 months, and amount expected to be collected after 12 months. If estimated, include the basis for those estimates.



*Reimbursements for expenditures and overpayments* – If the State provides a grant or pays an amount to an entity based on an estimate of what that entity will ultimately spend, and the entity does not expend all of the funds, they owe the balance back to the State. Therefore, a receivable must be recorded at year end. In order to accrue amounts receivable at fiscal year end:

Debit the appropriate receivable account – e.g.,  
0020 – Taxes Receivable  
0025 – Other Receivables (if it is an external customer)  
0050 – Due From Other Funds (if it is another State agency)

Credit the expenditure object code from which the original payment was made.

Agencies must ensure that the amounts are recorded in the appropriate funds.

If an accrual is made for funds due back to the State, and a share of that amount will be remitted to the federal government, a liability must also be accrued for the amount due back to the federal government.

To record the amount due to the federal government, debit the appropriate revenue source code (where the original amount from the federal government was recorded) and credit the appropriate liability account.

**Expenditures/Expenses and Amounts Payable:**

According to generally accepted accounting principles, the dollar amount of expenditures can be determined, and should be recorded, when the liability is incurred. For example, if you have received services or goods by the end of the day on June 30, you have a liability (accounts payable) and expenditure that should be reported. Most often, the bills that are processed in the next fiscal year will determine these amounts. For example, a vendor provides goods or services to a State Agency prior to June 30, but the State Agency does not process the invoice for payment until July 1 or later. In these instances, the agency should enter an “A” in the accrual indicator field, to indicate that the expenditure and related liability should be accrued as accounts payable at June 30. In contrast, if an invoice is for office supplies that were delivered in July, regardless of when they were ordered, the agency should enter an “N” to indicate that the expenditure should not be accrued as accounts payable at June 30. This applies to travel vouchers as well. If the dates of travel are before June 30 but the travel voucher is not processed until July 1 or later, the agency should code the payment with an “A” for accrual. If the dates of travel are July 1 or later, the agency should code the payment with an “N” so it is not accrued. This holds true even when a travel advance was issued for the trip.

In order to report all expenditures and related accounts payable at the end of the fiscal year, we rely on data from MFASIS during the beginning of the next fiscal year. The MFASIS output is based on the “accrual indicator” field. This field identifies payments in the current fiscal year that are actually liabilities of the prior fiscal year.

During July and August *only*, agencies are **required** to enter either an 'A' for accrual or an 'N' for non-accrual on Payment Vouchers entered online and on payments processed via external interface (ftp files, tapes, etc.). The MFASIS system will not accept PV's during July and August unless the accrual indicator field is completed. No default entry will apply if the field is left blank. The MFASIS system will reject payments entered with a blank accrual indicator field. Therefore, it is imperative for agencies to determine whether or not a payment should be accrued before entering it into MFASIS.



Segregate billings that span two fiscal years into the appropriate time periods in order to report them correctly. For example, a contractor bills a State Agency for work performed over a two-week period, the last week of June and the first week of July. In this case, the agency *should* accrue the services provided in June, and the agency *should not* accrue the services provided in July. The best way to handle this situation is to request separate invoices; however, this is not always possible. When a single invoice spans two fiscal years, agencies should code each amount separately and assign two separate PV numbers to the document, one for each amount. Code each amount to the fund and expenditure type where the payment must be recorded. In these circumstances, enter an “A” in the accrual field for the PV that refers to the June amount, and enter an “N” in the accrual field for the PV that refers to the July amount.

Most expenditures/expenses and transfers out are measurable and must be recorded when the related liability is incurred. Sometimes however, this amount must be estimated. This is the situation, for example, with risk management claims, or Medicaid provider claims that have occurred but have not been reported or processed. Agencies should accrue the amount of claims incurred but not reported or processed at year-end, even if the amount must be estimated. Agencies should document the method of estimating these liabilities and retain that documentation as support for audit. If an actuary performs the estimate, use the report of the actuary as the documentation.

### **Due To/Due From Other Funds**

When State Agencies transact business with other State Agencies, they record the amounts as Due From Other Funds and Due To Other Funds within the MFASIS system. For example, a State Agency purchases supplies from the State Warehouse. The Warehouse records a Due From Other Funds, and the purchasing agency eventually pays the charges, which in turn eliminates the Due From Other Funds. When there is a lag between the date a Due From is recorded and the date it is liquidated, the amounts Due From and Due To Other Funds do not balance. At fiscal year-end, these amounts must balance on the State’s financial statements. If the amounts are not offset within the accounting system already, agencies should provide a listing of the related Due From/To Other Funds, by fund number, to offset the recorded amounts. In the previous example, the Warehouse recorded a Due From but the receiving agency did not pay the balance at year-end. The Warehouse would provide a listing identifying what fund is expected to pay that balance due (for instance, the General Fund – 010). That spreadsheet should be sent to Brenda Palmer in the Controller’s Office as soon as practicable after year-end closing, but no later than September 1.

### **Inventory**

Generally, the State records inventory items (for example, materials and supplies) of the governmental funds as expenditures when purchased. GAAP reporting requires us to report significant inventory values on hand at fiscal year-end as assets in the balance sheet. The definition of “significant” depends upon the fund in which the inventory should be recorded. If you believe you have significant inventory items that are not recorded as assets, please contact a member of the Financial Reporting Team for specific guidance.

Examples of Departments/Agencies that may have significant, unrecorded inventories are: Transportation, Inland Fisheries and Wildlife, Conservation, and Environmental Protection.

Agencies should calculate inventories of materials by physical counts or by perpetual inventory systems. Report inventory values at the lower of the cost of the items, or the market value of the items. You may use cost or average cost if not significantly different than the lower of cost or market value. Report the method of valuing inventories to the Controller’s office.

**Agency Funds: Assets Held in Trust and Related Liabilities**

The State uses Agency funds (fund numbers 080, 083, 086, 098) to account for assets held on behalf of others. These include, but are not limited to: inmate accounts (Department of Corrections); patient accounts (Bureau of Elder and Adult Services and the Department of Behavioral and Developmental Services); and Judicial Branch bank accounts (Administrative Office of the Courts). Agency funds are custodial only; therefore, they do not involve measurement of operations (income, expenses, or determination of profit or loss). There are certain assets held on behalf of others that must be recorded on the MFASIS system for GAAP reporting purposes. Please record the amount of all assets that your agency holds on behalf of others (even if they are not included in the list described above) on the MFASIS system. Record these assets at their fair market value in fund 083 by debiting asset account 0010 and crediting the liability account 0213, using your agency code and approp/reporting org. If you are unable to record the amounts before the close of the fiscal year, please provide the information to the Financial Reporting Team.

When providing data to Financial Reporting, include (see page 23 of this document for additional information requirements):

- support for year-end balances by category, e.g., cash, bonds, corporate stocks; and,
- support for investment income totals by type of income, e.g., interest, dividends, and changes in fair market value, for the fiscal year. (Keep in mind that most fiduciary reports are based on a calendar-year, so please include 12/31/03 and 6/30/04 reports).

**Fixed Assets**

Report all fixed assets according to the procedures described in the Fixed Asset Manual. This manual is available from the Office of the State Controller web page. Agencies should complete all outstanding fixed asset shells before June 30. If any of the shells on SUSF do not relate to capital assets, please notify the Controller's Office and we will delete them.

Agencies must conduct physical inventories of all fixed assets annually. Agencies with distributed assets, that is, assets located in many locations throughout the State, may conduct their inventory over a three year period **if the following conditions are met:**

1. every item is subject to a physical count or verification every year (three years for agencies with distributed assets); and,
2. the inventory program is documented and the plan has been pre approved by the Office of the State Controller.

In order to ensure objective reporting of inventory items, personnel having no direct responsibility for assets subject to the inventory should perform physical inventory counts.

In most cases, bar coding equipment can be utilized to verify the accuracy of the count. In the event that bar coding equipment is not available, the person counting the assets is to attest to the accuracy of the count by signing the bottom of each inventory page.

After the physical count is completed, the inventory officer should reconcile the inventory by comparing physical records to general ledger balances. The inventory is properly accounted for when all differences have been identified, explained, and corrected. The inventory officer should then certify the reconciliation with a signed statement that it is correct.





The certification, together with the reconciliation and the inventory listing, serves as the basis for accounting adjustments. Retain this documentation for at least three years from the close of the current year audit or according to your agency's record retention policy, if it is longer.

For new acquisitions, note whether federal funds or state bond proceeds were used to pay for the items.

### **Financing Arrangements: Loans, Capital Leases, Certificates of Participation, and Other**

Each department must provide a detailed listing of all outstanding obligations under financing arrangements at June 30. Financing arrangements can include, but are not limited to: loans payable, obligations under capital leases, obligations under lease purchase agreements, Certificates of Participation, and other third party financing agreements. You must also provide a schedule of payment amounts and due dates, and a description of the asset(s) financed. All debt information should be sent to Heather Perreault in the Controller's Office.

For new debt issuances, note the Public Law that authorized the debt and whether or not the asset will be state-owned.

When a financing arrangement meets the criteria for recording as a capital lease (contact a member of the Financial Reporting Team for specific guidance), you should record the asset and related debt obligation by debiting the appropriate asset account and crediting liability account 0223 (Capital Leases Payable). In all cases, the amortization schedule must be sent to the Financial Reporting Team. Other information that must also be provided includes: the nature of the financing activity, its purpose, and the date the State became obligated for the debt. If you have provided a schedule in the past, you do not need to do so again; however, we will reconcile the principal and interest payments in our database with your reporting on the A614.

### **Other Assets**

Report any other assets you have (e.g., prepaid expenses, cash with fiscal agents, custodial accounts, etc.) that are not recorded on MFASIS. If you are not sure if an asset should be reported, please contact a member of the Financial Reporting Team.

### **Due to Component Units**

There are several legally separate organizations that are included in the State's financial statements as component units, due to the significance of their operational and/or financial relationships with the State. The following entities are included because they meet the specific criteria as component units: the Maine State Retirement System, the Maine Technical College System, the University of Maine System, the Maine Maritime Academy, the Governor Baxter School for the Deaf, the Finance Authority of Maine, the Maine State Housing Authority, the Maine Educational Loan Authority, the Loring Development Authority, the Maine Governmental Facilities Authority, the Maine Health and Higher Educational Facilities Authority, the Maine Municipal Bond Bank, the Child Development Services System, the Northern New England Passenger Rail Authority, and the Maine Rural Development Authority. If your agency has an amount receivable from or payable to any of these entities at June 30, advise Heather Perreault in the Controller's office of the amounts and related funding sources.

**Compensated Absences**

The terms of union contracts and personnel administrative policies grant employees limited amounts of vacation, sick, personal and compensatory time, which can be paid upon separation from State service. In accordance with GAAP, the State must measure and record a liability for compensated absence time based on the accumulated amount of unused time earned and the employee's current rate of pay.

Those agencies that are not on MS-TAMS must enter leave balances during July for all employees working in that agency on June 30, 2004. The Controller's Office will calculate the compensated absence liability based upon the information provided by the departments, except for those agencies that have been authorized to make their own estimates. Agencies that are on MS-TAMS no longer have to enter the leave balances in July. MS-TAMS will automatically provide a report of outstanding leave balances.

**Prior Period Corrections**

If your agency has coded any transactions directly to a fund equity account (account type 03) within any fund, you must provide supporting documentation to the Financial Reporting Team so we can appropriately classify the transactions in the financial statements.

Changes in liability accruals at year-end, such as the liability for compensated absences, are considered current period expenses and should not be charged directly to retained earnings/fund balance accounts.

**Commitments**

Each department must provide a detailed listing of all construction and other significant commitments, which are outstanding at June 30. Commitments can result from unfinished capital projects and contracts where work is still in progress at year-end. Agencies should estimate the amount owed on contracts and capital projects, and their expected completion dates, when exact amounts are not determinable. If there will be federal participation, include the amount and/or percentage of matching funds. The following agencies have ongoing commitments that must be reported to us:

Bureau of General Services

State facilities construction commitments

Department of Environmental Protection

Municipal solid waste landfills, pollution abatement program, groundwater oil cleanup, and potentially responsible party information

Department of Education

School construction projects

Department of Transportation

Sand and salt storage program and highway/bridge/pier construction commitments

Department of Corrections

Correctional facilities construction commitments.



## AGENCY-SPECIFIC GAAP INSTRUCTIONS — FISCAL YEAR 2004

### INTRODUCTION

As noted in the Introduction Section of the General Instructions, Title 5 MRSA §1547 requires agencies to provide financial information to the Controller's Office by September 1. Send all accruals and other closing information identified in this section to the Financial Reporting Team in the Controller's office by that date (electronic transmission is preferable). Each agency should identify primary contacts for follow up questions from the Controller's office and the auditors. Please call someone on the Financial Reporting Team if you have any questions.

The submitting agency is responsible to prepare and maintain auditable supporting documentation and should retain a copy of all GAAP information submitted. You should include summary worksheets and copies of the underlying documents in the supporting documentation. If you change the information after you send it to us, send us the changes also. For example, the Department of Audit may identify errors or other necessary adjustments after you have sent us closing information.

When an amount is estimated, document the procedures, assumptions, computations and methods used to develop the estimate. You must retain the documentation for seven years after the fiscal year-end.

When preparing GAAP accruals, use the same account & object/revenue source coding required on journal vouchers to enable the Bureau to record information in appropriate revenue, expenditure/expense and balance sheet categories.

There is a checklist at the end of this document that outlines the asset, liability, revenue and expenditure/expense accruals that are necessary to convert MFASIS figures to a GAAP basis.

\*\*\* *Unless otherwise noted, the accruals should **not** be made directly in MFASIS.*

If you have any questions or would like assistance identifying and preparing the GAAP accruals, please contact your Agency liaison or any other member of the Financial Reporting Team. We would be happy to set up a meeting to help you complete your closing package accurately and timely.



**DEPARTMENT OF CORRECTIONS**

**Inmate Accounts**

Please record the value of assets held for all inmate accounts at June 30. See page 7 “Agency Funds” for the account codes to use when recording these balances. These accounts should be reconciled at least annually, and assessed as to their collectibility.

**Inventory**

Please provide the value of supplies held at the various correctional facilities at June 30.

**Commitments and Contingencies Footnote**

Update Commitments and Contingencies footnote for the status of State correctional facilities construction projects. This is found in Note 15 in the State of Maine Comprehensive Annual Financial Report For The Fiscal Year Ended June 30, 2003.



**DEPARTMENT OF BEHAVIORAL AND DEVELOPMENTAL SERVICES**

**Patient Accounts**

Please record the value of assets held for all patient accounts at June 30. See page 7 “Agency Funds” for the account codes to use when recording these balances.



**DEPARTMENT OF LABOR**

**Unemployment Compensation Fund**

Please provide the following information as of June 30:

- Accrued interest on amounts deposited with U.S. Treasury that has not yet been recorded on MFASIS. This should be accrued directly in MFASIS.
- Aggregate of all taxpayers with credit balances in taxes/accounts receivable. This amount will be reclassified as deferred revenue for financial reporting purposes.



**DEPARTMENT OF ENVIRONMENTAL PROTECTION**

**Accounts Receivable**

- Accrual information for Groundwater Oil Clean-up Fund accounts receivable

**Commitments and Contingencies Footnote**

Update Commitments and Contingencies footnote found in Note 15 in the State of Maine Comprehensive Annual Financial Report For The Fiscal Year Ended June 30, 2003 for the following sections:

- Municipal Solid Waste Landfills
- Pollution Abatement Program
- Designation as a Potentially Responsible Party by the Environmental Protection Agency
- Groundwater Oil Clean-up Fund

**DEPARTMENT OF TRANSPORTATION****Revenue accrual**

Please report Federal revenue earned in FY04, but not received until FY05. Also, Federal revenue earned in FY03 but not received until FY04.

**Outstanding Notes Receivable**

Report balances of all outstanding notes receivable, including current and long-term portions.

**Contractor Payable (LRFA, CRDA, & SIB)**

Provide information relating to total Contractor Payables as of June 30, 2004, and the portions allocated to State, Federal, or Other.

**Contractor Retainage (Transport accruals)**

Provide information relating to the accrual for unpaid contractor retainage as of June 30, 2004.

**COPS**

Provide a detailed listing of all outstanding COP's and other financing arrangements, as outlined in the General Section.

**Commitments and Contingencies Footnote**

Update Commitments and Contingencies footnote found in Note 15 in the State of Maine Comprehensive Annual Financial Report For The Fiscal Year Ended June 30, 2003 for the following sections:

- Sand and Salt Storage Program
- Highway, Bridge and Pier Construction Commitments (Contract Retainage)

**Required Supplementary Information**

Update "Information about Infrastructure Assets Reported Using the Modified Approach," included on pp 88-89 of the State of Maine Comprehensive Annual Financial Report For The Fiscal Year Ended June 30, 2003.





**DEPARTMENT OF EDUCATION**

**Commitments and Contingencies Footnote**

Update Commitments and Contingencies footnote for Construction Commitments found in Note 15 in the State of Maine Comprehensive Annual Financial Report For The Fiscal Year Ended June 30, 2003. Provide the amount of outstanding commitments by municipalities for school bond issues that are eligible for State subsidy.



## DIVISION OF FINANCIAL AND PERSONNEL SERVICES

### SELF INSURANCE:     **RISK MANAGEMENT**                               **WORKERS' COMPENSATION**                               **RETIREE HEALTH INSURANCE**

#### Claims Payable

Please provide the following:

- Actuarial report and any updates for the public entity risk pool and risk management. These reports must show the amount of actual liability to be recorded in the Balance Sheet. Since FY 1997, the two risk management funds, (039 and 064) have been reported in one Internal Service Fund for GAAP purposes.
- Actuarial report and any updates on the Workers' Compensation program.
- Actuarial report and any updates on the Retiree Health Insurance program.
- Amount paid on claims during the fiscal year (cash paid).

Please note that for GAAP reporting, the current year expense is *not* the amount of cash paid on claims. The amount of cash paid on claims is used to calculate the current year expense, which is the liability at the end of the last fiscal year, less the current actuarial liability, and the cash paid on claims in the current fiscal year. This is shown in the following table that is a required note disclosure.

*There will be two tables,*

- (1) risk management activities aggregated as described above, and*
- (2) workers' compensation.*

	<u>Amount \$</u>
Liability at Beginning of Year	Refer to prior year GAAP financial statements
Current year claims and Changes in Estimates	This is the result of the liability at the beginning of the year, less claims payments, less liability at end of the year.
Claims Payments	Cash paid on claims
Liability at End of Year	From Actuary report.

The amount of the current year expenses must agree with the amount reported in the operating statement, and the ending liability must agree with the amount reported on the balance sheet.

The general accounting and reporting requirements relating to risk financing activities are included in GASB 10, GASB 30, and FASB 5.



### Required Note Disclosure

Please update all information as necessary in the prior year note. It should include the following items:

#### Risk Management

- A description of any changes to the plan from the prior year.
- The amount of any claims liabilities outstanding for which annuity contracts have been purchased in the claimant's name, and the amount of the related liabilities which have been removed from the balance sheet.
- A reconciliation of changes in the aggregate liabilities for claims for the current fiscal year and the prior fiscal year, in the following tabular format:
  1. Amount of claims liabilities at the beginning of each fiscal year.
  2. Incurred claims, representing the total of a provision for events of the current fiscal year and any increase or decrease in the provision for events of prior fiscal years.
  3. Payments on claims attributable to events of the current fiscal year and prior fiscal years.
  4. Other. Provide an explanation of each material item.
  5. Amount of claims liabilities at the end of each fiscal year.

#### Workers Compensation

- A description of any changes to the plan from the prior year.
- The amount of any claims liabilities outstanding for which annuity contracts have been purchased in the claimant's name, and the amount of the related liabilities which have been removed from the balance sheet.
- A reconciliation of changes in the aggregate liabilities for claims for the current fiscal year and the prior fiscal year, in the following tabular format:
  1. Amount of claims liabilities at the beginning of each fiscal year.
  2. Incurred claims, representing the total of a provision for events of the current fiscal year and any increase or decrease in the provision for events of prior fiscal years.
  3. Payments on claims attributable to events of the current fiscal year and prior fiscal years.
  4. Other. Provide an explanation of each material item.
  5. Amount of claims liabilities at the end of each fiscal year.

### LOTTERY OPERATIONS

Please record the following accruals:

- The amount of lottery prizes unclaimed at year-end, as well as prizes not expected to be claimed, recorded as a payable.
- The amount of unrecorded Online Ticket sales, Instant Ticket sales and interest income.
- Please also reconcile any amounts due to/from Tri-State Lotto with amounts recorded in the State's financial records.

Provide a copy of the Tri-State Lotto Commission audited financial statements and update Note 13.

### ALCOHOLIC BEVERAGES

Please record the following accruals/adjustments:

- July receipts for June activity for Malt Liquor excise and premium taxes as revenue and receivable at year-end.
- Adjust Cash-In-Transit to actual at year-end.
- Reclassify vendor discounts as reductions of Cost of Goods Sold rather than net to revenue. Please provide a copy of this JV with your closing package.



**TOBACCO SETTLEMENT**

Provide estimated Tobacco Settlement proceeds received during FY 2005, including expected receipt dates.

**Commitments and Contingencies Footnote**

Update Commitments and Contingencies footnote for Tobacco Settlement found in Note 15 in the State of Maine Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2003. Provide the amount of Tobacco Settlement proceeds received during FY 2004, and the estimated amount to be received during FY 2005.

**EMPLOYEE HEALTH INSURANCE PROGRAM: Other Postemployment Employee Benefits****Post Retirement Health Care Benefits**

Read the description of post retirement health care benefits found in Note 10 in the State of Maine Comprehensive Annual Financial Report For The Fiscal Year Ended June 30, 2003 and provide edits for any changes in the plan. The following information relating to health care benefits provided by the State, which the Maine State Retirement System does not pay, must be included.

Provide a description of:

- Benefits provided
- Employee groups covered
- Eligibility requirements
- The employer and participant obligations to contribute, quantified in some manner (e.g., the approximate percentage of the total obligation to contribute that is borne by the employer and the participants, respectively, or the dollar or percentage contribution rates)
- The statutory, contractual, or other authority under which benefit provisions and obligations to contribute are established
- Provide a copy of actuarial reports, including the total liability amount.

Provide the following expenditure/expense information:

- The amount of benefit expenditures recognized by the State during the period. This amount must be broken down between State employees and teachers, and must be further broken down by funding from direct premium payments from the State, the Maine State Retirement System, and additional Legislative appropriations.
- The number of participants currently eligible to receive benefits. Participants currently eligible to receive benefits are retirees, terminated employees, and beneficiaries for whom the State is currently responsible for paying all or part of the premiums. Covered dependents of participants must be counted as one unit with the participant.

**Post Retirement Life Insurance Benefits**

Provide the dollar amount of retired State employees' and retired teachers' life insurance claims for the fiscal year ended June 30. Also indicate the number of participants eligible to receive benefits, if possible.

**DEPARTMENT OF HUMAN SERVICES****Medicaid Accrual**

Medicaid Accrual information needs to be obtained from DHS and DMHMRSAS. The Medicaid Accrual will be broken out primarily between hospitals, nursing homes, and other providers. In some instances, there will be liabilities to the institutions for overpayments they have made. In other instances, there will be receivables due to the State for underpayments. In all cases, since Medicaid is partially funded by the federal government, its share of a receivable or payable must be recorded as a payable or receivable by the State to the federal government. For example, if Hospital A has made overpayments to the State of \$100,000, the State would record a payable to Hospital A for \$100,000 and a receivable from the Federal government for \$50,000 (assuming the federal share is 50%).

The standard report from DHS Audit is "MR697ACL.WK4," and should include intermediate care facilities, residential care facilities, private non-medical institutes and nursing facilities.

The standard report from DHS, Bureau of Medical Services should include hospital accruals, MMIS (Mainecare Management Information System), drug rebates, third party liability, Cycle 963 MEPOPS, and unpaid claims.

**BEAS Assets**

Please provide the value of assets held for public wards and protected persons at June 30. Please note the agency and approp/reporting orgs on schedules provided.

**Child Support Enforcement**

Please provide the balance of funds received but not yet distributed within the child support enforcement program at June 30.

**Food Stamp Inventory**

Inventory must be recorded at year-end, offset to Deferred Revenue. Food Stamp Inventory is recorded by debiting inventory, 0060 (with separate reporting org), and crediting deferred revenue, 0233 within the Federal Expenditures Fund - 013. Additionally, the value of food stamps issued during the current State fiscal year must be recorded as both revenue and expenditures in fund 013.

**Vaccines**

Inventory must be recorded at year-end, offset to Deferred Revenue. Vaccine Inventory is recorded by debiting inventory, 0060 (with separate reporting org), and crediting deferred revenue, 0233 within the Federal Expenditures Fund - 013. Additionally, the value of vaccines issued during the current State fiscal year must be recorded as both revenue and expenditures: the federal portion in fund 013, and the State's portion in the General Fund - 010.

**Healthy Maine Prescription Program**

Provide total amount of prescription drug rebates received for Healthy Maine Prescription Program. Reclassify rebates as reductions of expenditure, rather than net to revenue. Please provide a copy of this JV with your closing package.

**TANF**

Provide total amount of July 2003 check run that was recorded as a prepaid expense as of June 30, 2003.



## OFFICE OF THE TREASURER OF STATE

### Deposits and Investments

#### Deposits

The credit risk of deposits must be reported in the following categories:

- Category 1 — Insured or collateralized with securities held by the entity or by its agent in the entity's name
- Category 2 — Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name
- Category 3 — Uncollateralized. (This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name.)

To aid in the preparation of this disclosure, please provide the following:

- A list of all bank accounts, including bank name, account number, and bank balance as of June 30. Amounts covered by FDIC, MBIA, or Deposit Security Bond are in Category 1, Amounts covered by collateral pledged by the bank are in category 2, and those amounts not collateralized or insured are in Category 3.
- The total amount of nonnegotiable CD's. Those covered by FDIC or any other insurance are in Category 1, if collateral is pledged by the bank, they are in Category 2, and the non collateralized or insured are in Category 3.
- Linked CD's must be reported separately from non-linked CD's as they are recorded in separate asset categories on the Balance Sheet. They are otherwise categorized like nonnegotiable CD's.

#### Investments

The credit risk of each type of investment must be reported in the following categories:

- Category 1 — Insured or registered, or securities held by the entity or its agent in the entity's name.
- Category 2 — Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.
- Category 3 — Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the entity's name.



To aid in the preparation of this disclosure, please provide the following:

- The investments included in the Treasurers Cash Pool, fund 099, by investment type (i.e. U.S. Government and Agency Obligations, Repurchase Agreements, Commercial Paper, Corporate Bonds and Notes, Equity Securities, and Money Market accounts). Cash Pool investments are in Category 1 and Nonexpendable trust fund investments are in Category 2.
- The allocation percentage to determine the amounts of the Cash Deposits and Investments the Financial Reporting Team will allocate to the Component Units.
- Total of all other investments, including trust funds, contractor retainage, guaranty and miscellaneous deposits, bureau of insurance, MESC, guaranty deposits-corporations, and guaranty deposits-industrial accidents commission.

The Financial Reporting Team must obtain the amounts of cash and investments of the Big Baxter Trust and these are in category 3.

### **General Obligation Bonds**

Provide a copy of the official statement(s) for new issuances.

### **General Obligation Bonds Authorized, Unissued and Unspent**

- The amount of general obligation bonds authorized and unissued for the fiscal year.
- The amount of general obligation bonds issued to State agencies that remained unspent as of June 30, 2004.

### **Bond and Tax Anticipation Notes**

Please provide a list of all such notes issued and/or retired during the year, even if there was nothing outstanding at the end of the year. For issuances, provide the purpose (GASB 38).

### **Subsequent Events**

Provide information on the following items occurring after June 30, 2004 and greater than \$1 million:

- Bonds Authorized
- Bonds Issued
- Tax Anticipation Notes Issued
- Bond Anticipation Notes Issued

### **Held Checks**

Please provide a list of checks dated before June 30 but not mailed until after June 30.

### **Nonexpendable Trust Funds**

As there is no operating statement, all revenue and expenses will have to be obtained from other than the A614. The Financial Reporting Team will need the amount of interest income, dividends, fees, and other expenses. Balance Sheet items are now reported at net rather than gross. See page 8 for more details.





**Abandoned Property**

Please provide the valuation of abandoned property at June 30, and the estimated liability for future claims based on those amounts already received. Also, provide rationale for any changes in valuation methods..



## MAINE REVENUE SERVICES

### Accrued Taxes

Maine Revenue Services must provide a summary of tax revenues to be accrued, which includes an analysis of significant fluctuations from prior years. The summary must include the fund where the revenue is to be accrued, the accrual methodology, the revenue source, the portion of the receivable that is estimated to be uncollectible, and the deferred revenue balance. See comments in General Information regarding deferred and uncollectible revenue.

The major revenue categories to be accrued must include individual income tax, withholding tax, sales and use tax, fuel taxes, individual income tax refunds, telecommunications tax, ***and any other revenue that meets the definition of accruable revenue.***

The major audit adjustments, in prior periods, for tax and tax-related revenues include:

- Malt liquor excise tax
- Malt liquor premium
- Estate Tax
- Real estate transfer tax
- Corporate Income Tax
- Corporate Income Tax Refunds
- Nursing Home tax accrual

Provide amount of Real Estate Transfer Tax payment due to Maine State Housing Authority as of June 30, 2004.



**OFFICE OF THE SECRETARY OF STATE**

**Bureau of Motor Vehicles**

Please provide details on:

- Balances due from other funds
- Long-term trailer fees – deferred revenue
- InforME remittances: gross proceeds and InforME service fees netted against them
- Revenue accruals of M/V license fees



**DEPARTMENT OF AGRICULTURE**

Provide value of TEFAP inventory as of June 30, and value of commodities distributed under the TEFAP program and the Donated Commodities program for the fiscal year.



**DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT**

Provide information necessary to reclassify payments from/loans to businesses from revenues/expenditures to accrual basis of accounting note receivable as of June 30, 2004.

- Total amount of notes receivable outstanding as of June 30
- A summary of payments received, and new loans issues during the year.
- Of the notes receivable outstanding at June 30, the amount paid in July and August, 2004
- An estimate (dollar or percentage) of the amount of notes receivable outstanding at June 30 that will be uncollectible, including a description of the basis and assumptions used for the estimate. See comments in General section regarding uncollectible revenue.



**DEPARTMENT OF INLAND FISHERIES AND WILDLIFE**

Provide estimate of accounts receivable due from agents as of June 30, 2004

- Total amount of accounts receivable outstanding as of June 30
- Of the accounts receivable outstanding at June 30, the amount paid in July and August, 2004
- An estimate (dollar or percentage) of the amount of accounts receivable outstanding at June 30 that will be uncollectible, including a description of the basis and assumptions used for the estimate. See comments in General section regarding uncollectible revenue.



**BUREAU OF THE BUDGET**

**Supplemental Appropriations**

Please provide the amount of supplemental appropriations to the budget, including new revenue projections that were required to provide sufficient funding for all programs.

**Budgeted Revenues**

Please provide "Budgeted Undedicated Revenues - FY 04". This report must show the fund, revenue source, and total for each revenue source. Funds required to be included are 010, 012, 013, 014, and 015.

**Budgeted Appropriations**

Please provide a schedule of FY 04 budgeted appropriations, including the above-mentioned funds. If any changes are made to any of these schedules, they must be sent to Brenda Palmer in the Controller's Office.



**JUDICIAL BRANCH (ADMINISTRATIVE OFFICE OF THE COURTS)**

**Custodial Accounts**

Please record the value of assets held for all accounts at June 30.

**Accounts receivable**

Provide amount of unpaid fines, fees and any other revenue that meets the definition of accruable revenue (see General Information).

- Total amount of fines and fees that were assessed, but not paid, as of June 30
- Of the fines and fees unpaid at June 30, the amount paid in July and August, 2004
- An estimate (dollar or percentage) of the amount of fines and fees unpaid at June 30 that will be uncollectible, including a description of the basis and assumptions used for the estimate. See comments in General section regarding uncollectible revenue.

Please include the agency and approp/reporting org on the data provided.



**GAAP INFORMATION CHECKLIST**

We have enclosed the following GAAP information as of June 30, 2004:

**\* PLEASE NOTE \***

*Do not enclose anything that has already been recorded on MFASIS*

	Completed	Not applicable
Revenues and Amounts Receivable		
Reserve for bad debts		
Amounts deferred (deferred revenue)		
Federal reimbursements expected		
Expenditures/Expenses and Amounts Payable		
Accounts Payable		
Accounts Payable from interface system		
Due To/Due From Other Funds		
Inventories		
Significant unrecorded inventory		
Food stamps inventory (and current year expense)		
Vaccine inventory (and current year expense)		
Agency Funds		
Assets held in trust for others		
Interest and other assets		
Fixed Assets		
Reconciliation of Contributed Capital		
Financing Arrangements		
Loans payable		
Capital leases		
Certificates of Participation (COP's)		
Other financing arrangements		
Other Assets		
Lottery Prizes Payable		
Due To Component Units		
Compensated Absences		
Prior Period Corrections		
Commitments and Contingencies		
Agency-specific Information		

*"I have attached copies of prior period corrections and reversing entries."*

**Prepared by:** \_\_\_\_\_

**Date:** \_\_\_\_\_



**Please add any comments**