

90.10 General State Reporting Policies

90.10.10 Purpose and scope of these policies

This part of the manual establishes the State reporting policies and procedures governing the accumulation of accounting data for reporting purposes and the preparation of the State of Maine Comprehensive Annual Financial Report (CAFR).

90.10.20 Authority for these policies

All agencies are required by to maintain accounting records and report thereon in a manner prescribed by the Title 5, Chapter 143, §1547. Section 1547 requires the State Controller to prepare a comprehensive annual financial report in accordance with standards established by a governmental accounting standards board. Additionally, the State Controller is required to transmit financial statement and note disclosure information to the State Auditor by November 1st of each year.

90.10.30 Applicability

This part is applicable to and binding on all agencies of the State of Maine unless otherwise exempted by statute.

Agencies may request a waiver from complying with specific requirements of this chapter. Refer to Subsection 1.10.40 for information on how to request a waiver.

90.10.40 Using the MFASIS Accounting System - roles and responsibilities

MFASIS functions as the official statewide financial accounting system for the State of Maine. The financial data collected in MFASIS and the MFASIS data warehouse throughout the year is used to prepare a variety of interim reports including analyses for State level executive management and responses to inquiries for information from parties outside the OSC

and Maine State Government. In light of the importance of interim financial reports in the management of State operations, it is essential that the data submitted to MFASIS be as granular as possible, timely, complete, accurate, and documented.

To this end, the following roles and responsibilities have been established:

90.10.40.a

The Office of the State Controller is responsible to assist agencies to comply with reporting requirements. This includes:

- Assistance regarding communication methods; notification of missing or erroneous data where possible;
- Assistance in resolving certain processing problems; and
- Training and consulting services regarding State policies, procedures, and regulations as they relate to the fiscal administration of Maine State Government.

90.10.40.b

Agencies are responsible for:

- Ensuring that they are in a position to respond to problems encountered with the integrity and/or transmission of agency data during critical times, such as month-end cut off or weekly processing cycles for certain benefit payments. The critical period for month-end processing extends two working days following the published MFASIS cut off date.
- Exercising appropriate internal control over transactions.
- Verifying the completeness, accuracy, and integrity of data submitted.
- Notifying their assigned Liaison if accounting or payroll processing problems arise.

Batch interface agencies are responsible for:

- Ensuring that data is transmitted in the most efficient and effective manner consistent with OSC requirements. The preferred method of transmission is through the statewide communication backbone managed by the Bureau of Information Services (BIS) since transmission of data using modems and standard phone lines often causes serious problems and delays.
- Coordinating with BIS on all matters regarding the transmission and

processing necessary to make the data available for processing by MFASIS.

- Ensuring that the agency has sufficient cash and allotment before submitting the interface for processing.
- Exercising appropriate internal control over transactions.
- Verifying the completeness, accuracy, and integrity of data submitted.
- Notifying OSC if problems arise.

90.10.50 Component unit reporting requirements

Reporting requirements prescribe two methods for reporting component units of the State in the CAFR. Depending upon a component unit's relationship with the State, it is either blended or reported discretely.

- **Blended component units** are reported as part of the primary State government just like a normal State agency.
- **Discretely reported component units** are reported in a column separate from the primary State government.

All component units (discrete and blended) must submit audited financial statements to OSC no later than October 15th following the official close of the State's fiscal year.

The OSC liaison assigned to agencies identified as component units will work with agency personnel to provide additional information and assistance as needed to satisfy reporting requirements. If questions exist regarding component units or potential component units, contact the assigned liaison.

90.10.60 Agency generated reports must reconcile with MFASIS and the CAFR

Agencies generating and/or publishing agency financial statements are to use data submitted to MFASIS and included as part of the CAFR to ensure consistency in financial information that is presented by the State of Maine. Any variance between the final MFASIS data and agency issued financial statements is to be reconciled and disclosed in the notes of the agency's financial statements. However, if the separately issued report uses different reporting standards, the agency is to clearly indicate in the notes to their financial statements which standards were used and how they differ from those used in the State's CAFR.

90.10.70 Agencies must comply with reporting due dates

Agencies are to adhere to the published due dates. This adherence allows the data to be consolidated by OSC and reported to the State Auditor no later than November 1st of each year in accordance with Title 5, Chapter 143, §1547.

- State agencies must report no later than September 1st following the official close of the fiscal year.
- Component Units shall submit audited financial statements no later than October 15th following the official close of the fiscal year.

**90.20
Fiscal Year-End Cut-Off Procedures**

90.20.05 Introduction

This section provides policies and procedures for closing a fiscal year and for the preparation of the Comprehensive Annual Financial Report (CAFR). The cut-off policy provides guidance for agencies to review their financial data and make necessary adjustments. The review and subsequent adjustments give the State Auditor reliable financial data on which to form an opinion and enable timely financial reporting.

The Fiscal Year Cut-Off Procedures will be amended each year as accounting standards, state laws and regulations, and federal laws and regulations change. Each year, the OSC will provide agencies with a closing package that sets forth our requirements to adequately and accurately close the State's books.

The closing process is established in phases. Each phase requires completion of certain events in preparation for the next phase.

- **Phase 1** provides guidance to agencies regarding year end purchasing and encumbering (through period 12).
- **Phase 2** gives agencies time to record adjustments necessary to correct year-end totals (through period 12).
- **Phase 3** allows agencies time to record revenue and expenditure/expense accruals (with closing package submissions due September 1st).
- **Phase 4** allows the State Auditor time to audit accounting data and recommend any necessary adjustments. Agencies are not allowed to make entries unless approved by OSC. Concurrently during this phase, the OSC is preparing the State's CAFR.

A schedule of phase cut-off dates is published annually by OSC as part of the Controller's Bulletin implementing these policies.

90.20.10 Cash cut-off date and policies

- 90.20.10.a Cash is cut-off at June 30. Cash activity occurring after June 30 is recorded in the ensuing fiscal year.

- 90.20.10.b Cash receipts received by an agency on or before June 30 are recorded in Fiscal Month 12 as “in-process” cash prior to the June monthly cut-off. If these amounts are not deposited in the State Treasury on or before the fiscal year cut-off date, the entry to cash activity will be made in the ensuing period.
- 90.20.10.c Cash disbursements paid on or before OSC's cut off date are recorded as "in-process" cash prior to the June fiscal month cut-off.
- 90.20.10.d Any local agency administered funds are required to be accounted for on the same fiscal year basis as funds deposited or expended from the Treasury.

90.20.15 Prior period adjustments

Prior period adjustments are corrections of errors discovered after a fiscal year has been closed. There are two types of prior period adjustments, those affecting balance sheet account types 01, 02 or 03 (assets, liabilities or fund equity); and those affecting only operating statement account types 22, 24 or 31 (expenditures, expenses or revenues).

The OSC - Financial Reporting and Analysis Division makes the final determination as to whether a prior period adjustment is material or immaterial to the State’s CAFR.

90.20.15.a Prior period adjustments affecting balance sheet account types 01, 02 or 03

Prior period adjustments are reported as adjustments to beginning fund equity. If a prior period adjustment is required, the following source documents are prepared by the agency, and the original copies forwarded to General Accounting for review and approval.

Journal Voucher - Forward a properly completed Journal Voucher signed by the agency's fiscal officer indicating approval; and,

Supporting Documentation - Include a complete description of the nature of the adjustment, its impact on beginning balances, and the resulting effect on “Changes in Net Assets” of prior periods for **proprietary and trust funds** (specifically, the under/overstatement of revenues and expenses); or
“Excess of Revenues and Other Sources Over (Under) Expenditures and

Other Uses” of prior periods for **governmental funds** (specifically, the under/overstatement of revenues and expenditures).

Adjustments to beginning fund equity should be coded to “Profit and Loss” account 0390.

90.20.15.b Contact the OSC - Financial Reporting and Analysis Division for assistance with developing the appropriate accounting entries for the prior period adjustment.

90.20.15.c **Prior period adjustments affecting operating statement account types 22, 24 or 31.**

The same standards of documentation apply to these prior period adjustments. This ensures that any adjustment is fully disclosed in the accounting records with adequate documentation to speak to its appropriateness.

90.20.15.d Prior period adjustments to carrying accounts should be coded to the appropriation/account number using “adjustments to balance forward” revenue source code 295x.

The statutory authorization for most carrying accounts specifically states that funds appropriated for a specific purpose must carry to the next fiscal year and may not lapse. This language is intended to allow funds appropriated for a particular purpose to carry forward due to the fact that the nature of the program is such that the obligations are not normally satisfied in one fiscal year. This does not give an ability to recycle these funds through the program. If expenditure is made and later determined through some means such as an audit that the funds need to be returned, those funds should not be deposited back to the program account to be re-expended. This is not meant to prevent accounting adjustments from occurring.

Prior period adjustments to lapsing accounts should be coded to “Profit and Loss” account 0390.

90.20.15.e Contact the OSC - Financial Reporting and Analysis Division for assistance with developing the appropriate accounting entries for the prior period adjustment.

90.20.20 Phase 1 – Year end purchasing and encumbering activities

90.20.20.a **Applicability**

Each year, the State Controller, State Budget Officer, and the Director of the Division of Purchases jointly provide departments and agencies with guidelines related to expending money for the purchase of goods and services at year end. These guidelines are intended to apply to all funding sources. All requests for purchase orders, requisitions, contracts, and open market purchases must meet the requirements of essentiality.

90.20.20.b **Procurement**

Capital Items:

The purchase and funds encumbrance of capital items will only be processed in the fourth quarter of a fiscal year where the test of essentiality is met. Agencies must scrutinize these purchases carefully before submitting purchase requests.

All Other Items:

During June, encumbrance of purchase orders and contract releases will be limited to necessary and immediate purchases only. Agencies must scrutinize these purchases carefully and, where possible, postpone the purchase to the ensuing fiscal year. Non-emergency purchases requested during June will not be processed in the current fiscal year.

90.20.20.c **Contracts and Grants for Services**

Contracts and grants whose services are executed within the ensuing fiscal year must be encumbered on or after July 1.

New contracts or grants whose services span all or a portion of the fourth quarter but continue into the ensuing fiscal year must be prorated and the encumbrance limited to the amount necessary to cover work to be completed in the current fiscal year.

Agencies must plan for the balance of the encumbrance to be processed on the first workday in July, for the balance of the contract amount. Work programs should be developed to accommodate these practices.

Agencies that believe that they may require a waiver of these requirements must notify the Director Purchasing before the May deadline to provide the Director of Purchasing, the State Controller, and State Budget Officer enough lead time to fully consider the request.

90.20.20.d

Prepayments for Goods and Services:

Prepayments for services or goods will not be permitted at year end. In accordance with Title 5, section 1552, all payments must be made from proper invoices for services rendered. As such, the practice of overpaying or prepaying any of the various Internal Service Funds or outside vendors is not allowed. All payments must be made against invoices for completed services and any payments to the Internal Services Funds or other vendors with the intent of having that fund or vendor hold the payment for future projects or services, once identified, shall be returned to the funding account through the OSC. If that account is a non-carrying account, the funds shall lapse.

90.20.20.e

Payroll Insufficiencies

Agencies must ensure that sufficient Personal Services allotment exists to process June payrolls by proactively resolving funding issues with the appropriate Analyst in the Bureau of the Budget in time to process any Budget Orders or Financial orders in advance of the payroll to be paid. These Orders must be posted in the MFASIS Accounting System in advance of the payroll payment. All allotment and cash insufficiencies must be resolved before the final payroll of the fiscal year is paid. Payrolls will be held until there is adequate allotment to cover the cost.

90.20.25

Phase 2 – Adjustment activity

90.20.25.a

Phase 2 is the **final** opportunity for agencies to enter adjustments for the concluding fiscal year before the MFASIS system is closed and final reports are prepared and released as the unaudited fiscal year activity. Agencies are to review reports to ensure that assets and liabilities are properly and completely stated, and that revenues and expenditures/expenses are accurately reflected and recorded in the proper period using the correct coding. Any entries processed after this phase will not be reflected in the statewide MFASIS reports, but may be included in the CAFR and the final audited data.

90.20.25.b

Journal Vouchers are used for adjusting entries posted during Phase 2 for Fiscal Month 12. **Beginning in Fiscal Year 2005, Period 13 will no longer be open to agencies to make adjustments. All adjustment activity must be accomplished before the close of Period 12.** Examples of types of activities to perform and adjustments to make are as follows:

1. **Review and Adjust Balances.** Agencies are responsible to ensure that assets and liabilities are properly and completely stated, and that revenues and expenditures/expenses are accurately reflected and recorded in the proper period using the correct coding.
2. **Make Fixed Assets and Inventory Adjustments.** If the fixed assets and/or inventory balances do not agree with physical counts, adjusting entries are necessary to reflect the proper balances at fiscal year-end.
3. **Review and Adjust Leave Payables.** Review and adjust compensated absences leave payables as necessary to ensure correct year-end balances (*for proprietary funds only*).

90.20.30

Phase 3 – Accrual activity for financial reporting

90.20.30.a

General Information/Applicability

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.

All 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, 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 OSC to record information in appropriate revenue, expenditure/expense and balance sheet categories.

Unless noted, accruals should not be made directly in MFASIS.

90.20.30.b

Basis of Accounting

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 OSC – Financial Reporting and Analysis Division and should not be recorded directly in MFASIS.

Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available (usually meaning collectible within 60 days of the end of the fiscal year). Expenditures are 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 are recognized when they are earned and become measurable (regardless of when they are collected). Expenses are recognized when incurred, if measurable.

90.20.30.c

Revenue 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 90.20.30.d for a discussion of Deferred Revenue. 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 (not all-inclusive): 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.

90.20.30.d

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.

Amounts that are received prior to June 30, but are not yet earned, must also be deferred. For example, if a taxpayer or licensee prepays an amount due, resulting in unearned income to the State, your agency must also credit deferred revenue. If the revenue has already been recorded, debit

the original revenue category and credit deferred revenue.

90.20.30.e **Classification of amounts receivable**

Provide the following information for all accruals of revenues and amounts receivable: 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. See 90.20.35 for a discussion of Accounting Estimates.

90.20.30.f **Expenditures/Expenses and Amounts Payable**

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. 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, you have a liability (accounts payable) and expenditure that should be reported. This holds true even when a travel advance was issued for the trip.

Expenditures in governmental funds are recognized in the period in which the fund liability is incurred; that is, the period in which the goods or services are received and not the subsequent period in which the cash is paid. Goods and services **must be received** by June 30 to be included as an expenditure of the concluding fiscal year.

In proprietary, and trust funds, expenses are recognized when incurred, if measurable. All goods and services received through June 30 **must be recognized** in the concluding fiscal year.

90.20.30.g **Accrual Indicator**

In order to report expenditures and related accounts payable at the end of the concluding fiscal year, the OSC relies on data from MFASIS during the beginning of the ensuing 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.

90.20.30.h

Estimates

Most expenditures/expenses and transfers out are measurable and must be recorded when the related liability is incurred. Sometimes however, the 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. See 90.20.35 for a discussion of Accounting Estimates.

90.20.30.i

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. Agency cooperation is essential to balance interagency receivables and payables at the statewide level. Billing agencies are to contact user agencies involved to resolve any differences. If disagreements exist, the OSC liaison assigned to each agency should be contacted to resolve the issues.

In establishing receivable billings, interagency receivables/payables are recorded as of the date goods and services are delivered. 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 the OSC - Financial Reporting and Analysis Division as soon as practicable after year-end closing, but no later than September 1.

90.20.30.j

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. See Chapter 35 – Inventories for further discussion of inventory recording requirements.

Agencies should calculate inventories 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. At fiscal year-end, report the inventory, including a description of the inventory, the funding source used to acquire the inventory, the value of the inventory, and the method of valuing the inventory to the OSC – Financial Reporting and Analysis Division.

90.20.30.k

Capital Assets

Report all capital assets according to the procedures described in Chapter 30 – Capital Assets. 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 OSC and we will delete them.

90.20.30.i

Construction and Significant 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 (not all-inclusive):

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.

90.20.30.m

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. 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 OSC - Financial Reporting and Analysis Division.

90.20.30.n

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. Contact a member of the Financial Reporting Team if you are not sure if an asset should be reported.

90.20.30.o

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. Agencies should provide a schedule of payment amounts and due dates, and a description of the asset(s) financed.

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

90.20.30.p

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.

Agencies that are not on MS-TAMS must enter leave balances during July for all employees working in that agency on June 30. The OSC 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.

90.20.30.q

Due to/Due From 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, report the amounts and related funding sources to the OSC – Financial Reporting and Analysis Division.

90.20.35

Phase 3 – Accounting estimates

90.20.35.a

An accounting estimate is an approximation of an expenditure/expense, revenue, financial statement account, item, or element. Accounting estimates are included in the State's financial statements because:

1. The measurement of some amounts or the valuation of some accounts is uncertain, pending the outcome of future events.
2. Relevant data concerning events that have already occurred cannot be accumulated on a timely, cost-effective basis.

90.20.35.b

Agencies are responsible for making the accounting estimates to be included in the financial statements. Estimates are based on subjective as well as objective factors. These decisions are normally based on knowledge and experience of past and current events, assumptions about conditions expected to exist, and courses of action expected to be taken.

90.20.35.c

Agencies are responsible for establishing a process for preparing accounting estimates. The process normally consists of:

- Identifying situations for which accounting estimates are required.

- Identifying the relevant factors that may affect the accounting estimate.
- Accumulating relevant, sufficient, and reliable data on which to base the estimate.
- Developing assumptions that represent management's judgment of the most likely circumstances and events with respect to the relevant factors.
- Determining the estimated amount based on the assumptions and other relevant factors.
- Recording the accounting estimate in accordance with State policies.

90.20.40 Phase 4 – Department of Audit adjustment activity

90.20.40.a Agencies should not make audit adjustments into MFASIS during Phase 4, without first consulting with the OSC – Financial Reporting and Analysis Division.

During Phase 4, the Department of Audit will have the opportunity to recommend adjustments to agencies' balances. Agencies should review the recommended audit adjustments. If an agency agrees with the adjustments recommended by the auditors and it is necessary to correct MFASIS balances, the agency should prepare a journal voucher, supported by audit documentation, and consult with their liaison before processing. If an agency disagrees with the recommended adjustments and is unable to reconcile the disagreement with the auditors, the agency should contact their liaison to determine the appropriate corrective action.

90.20.40.b All audit adjustments are communicated to the OSC – Financial Reporting and Analysis Division on an audit adjustment form, indicating that the item was discussed with the audited agency's fiscal officer and indicating agreement or disagreement. **Agencies are to cooperate with and assist the auditors, to ensure the audit adjustments are complete and accurately prepared.**

90.20.40.c To facilitate the audit adjustment phase, promptly notify the agency's OSC liaison of any adjustments requested by the Department of Audit.

90.20.50 Phase 4 - Office of the State Controller compilation activity

90.20.50.a OSC – Financial Reporting and Analysis Division will prepare the State of Maine CAFR after the Phase 3 cut-off for the concluding fiscal year.

During this process, it may be necessary to make certain corrections to the data for financial statement presentation purposes. If adjustments are needed, agencies will be consulted if adjustments to agency records are deemed necessary by OSC.

90.20.50.b The audited data at the close of the fiscal year will be used by the State for all subsequent fiscal year GAAP reports.

90.20.50.c Agencies generating and/or publishing GAAP financial statements for any purpose are to use the final audited financial data.