



COMMONWEALTH of VIRGINIA

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June 10, 2009

MEMORANDUM

TO: Component Unit / Related Organization Contacts

FROM: David A. Von Moll

Component Unit Year-End Reporting Memorandum – FY 2009

Summary

This document provides guidance for the preparation and submission of component unit and related organization financial statements / templates, attachments, and other supplemental information.

The **Introduction** section explains the reason submissions to the Department of Accounts are required, outlines necessary peer review report submissions, and discusses the early implementation of GASB pronouncements.

The **Component Units** and **Related Organizations** sections define component units and related organizations, identify applicable entities for the Commonwealth, and summarize financial submission requirements. Due dates vary based on the nature of each entity. A complete list of due dates for component units of the Commonwealth is located on page 8 and for related organizations on page 10.

The **Submission of Financial Statements / Templates and Attachments** section discusses the importance of due dates, outlines the means available to submit information to the Department of Accounts, lists the internet location of this document, and references contact information for individuals who can provide assistance.

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Component Unit Year-End Reporting Memorandum – FY 2009, Continued

Summary (continued)

The **Preparation of Financial Statements / Templates and Attachments** section addresses selected GASB Statements, Technical Bulletins, and Interpretations. Additional guidance including **GASBS No. 33 – Nonexchange Transactions** and **GASBS No. 34, Financial Reporting Model Overviews** can be found in the **Authoritative Literature / Guidance for Preparation of GAAP Basis Fund Financial Statement Templates** document located in **Comptroller’s Directive No. 1-09**, which can be found on DOA’s website at www.doa.virginia.gov by clicking on the “Financial Statement Directives” link .

The **Supplemental Information** section outlines additional submission requirements for the component units.

The fluctuation analyses in the component unit template file (Attachment CU4) compares the current year’s financial statement template activity to the prior year’s financial statement template activity. Material variances must be explained. The **Preparation of Fluctuation Analyses** section outlines the materiality requirements that must be met in order for an entity to complete a fluctuation analysis on the Component Unit Template.

New attachment

Attachment CU15, Invested in Capital Assets, Net of Related Debt, for those Component Units that report using FASB guidelines.

Component Unit Year-End Reporting Memorandum – FY 2009,

Continued

Attachments with changes

Attachment CU2, GASBS No. 14 Checklist Modified to Reflect GASBS No. 39

- Applicable entities section changed to emphasize that this attachment must be completed for any potential component units of the Commonwealth that were evaluated in prior years, but a change occurred in the organization that may affect their classification in addition to any new potential component units of the Commonwealth that have not been previously evaluated.

Attachment CU3, GASBS No. 14 Checklist Modified to Reflect GASBS No. 39

- Applicable entities section changed to emphasize that this attachment must be completed for any potential component units (of the component unit) that were evaluated in prior years, but a change occurred in the organization that may affect their classification in addition to any new potential component units (of the component unit) that have not been previously evaluated.

Attachment CU4, Financial Statement Template For Selected Component Units

- **Tab 1B – Cash Eq. & Inv. Not w Tr** is no longer password protected.
- **Tab 8 – Miscellaneous – Part 10** was changed to provide a section for **GASBS No. 49**, *Accounting and Financial Reporting for Pollution Remediation Obligations*.

Attachment CU6, Schedule of Cash, Cash Equivalents and Investments as of June 30

- **Tab 1B – Cash Equiv. & Inv. Not w Tr** is no longer password protected.

Attachment CU8, Capital Asset Disclosures

- Section 1a will automatically populate the beginning balances for the fiscal year.

Attachment CU9, Asset and Liability Disclosures

- Section 3a on the Liabilities tab will auto populate the beginning balances for the fiscal year.
 - A section was added (question 10) to the liabilities tab for the implementation of **GASBS No. 49**, *Accounting and Financial Reporting for Pollution Remediation Obligations*.
-

Introduction

Reason for submission requirements

Financial statements / templates, attachments, and supplemental information are required for the preparation of the Commonwealth's Comprehensive Annual Financial Report (CAFR). Bond rating agencies use the CAFR to determine Virginia's bond rating, and they require that parts of the CAFR are included in bond offering statements. Maintaining an unqualified opinion on the CAFR is critical to Virginia's retention of its AAA bond rating.

Peer review report submissions

The Government Auditing Standards, commonly known as the Yellow Book, require auditors who are relying on another audit organization's work to request a copy of the audit organization's peer review report.

Those component units that are audited by an audit firm other than the Auditor of Public Accounts should be prepared to **have the auditors provide a copy of the most recent peer review report AND any accompanying letter of comment to the Auditor of Public Accounts.**

Early implementation of GASB statements

There will be **no** early implementation of any GASB statement for CAFR reporting purposes. Any entity that plans early implementation of any GASB statement should notify Sharon Lawrence, Director of Financial Reporting, immediately at (804) 225-2414.

Thank you

Thank you in advance for assisting to successfully complete the Commonwealth of Virginia's *Comprehensive Annual Financial Report* for fiscal year 2009.

Component Units

Definition

A component unit is a legally separate organization that is financially accountable to the primary government or has relationships with the primary government such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Commonwealth is required to incorporate the financial data of all component units in its financial statements.

Entities and applicable guidance

Component unit submission requirements and additional guidance are provided in the following documents which are located on DOA's website at www.doa.virginia.gov. Click on the "Financial Statement Directives" link.

- **Comptroller's Directive No. 2-09, Financial Statement Template Preparation for Higher Education Institutions** (Higher Education)
- **Comptroller's Directive No. 1-09, Directive Compliance Guidelines for State Agencies** (State Agency)
- **Component Unit Year-End Reporting Memorandum – FY 2009** (This Document)
- **Authoritative Literature / Guidance for Preparation of GAAP Basis Fund Financial Statement Templates and Glossary** documents located in **Comptroller's Directive No. 1-09**.

The following summarizes the Commonwealth's component units and their applicable guidance.

Component Unit	Applicable Directive/ Memorandum
Advantage Virginia Incentive Program Foundation (VEC)	State Agency
A. L. Philpott Manufacturing Extension Partnership	This Document
Assistive Technology Loan Fund Authority	This Document
Belmont Bay Science Center Foundation (SMV)	State Agency
Danville Science Center, Inc. (SMV)	State Agency
Fort Monroe Federal Area Development Authority (DHCD)	State Agency
Hampton Roads Sanitation District Commission	This Document
Higher Education Institutions (Including Foundations and other CU's)	Higher Education
Innovative Technology Authority	Higher Education
Institute for Advanced Learning and Research	Higher Education
Library of Virginia Foundation (LVA)	State Agency
New College Institute	Higher Education
Roanoke Higher Education Authority	Higher Education
Science Museum of Virginia Foundation, Inc. (SMV)	State Agency
Small Business Financing Authority (DBA)	State Agency
Southern Virginia Higher Education Center	Higher Education
Southwest Virginia Higher Education Center	Higher Education
Tobacco Indemnification and Community Revitalization Commission	This Document
Virginia Arts Foundation (VCA)	State Agency
Virginia Biotechnology Research Partnership Authority	This Document

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Component Units, Continued

Entities and applicable guidance (continued)

Component Unit	Applicable Directive/ Memorandum
Virginia College Building Authority (VCBA)	Treasury
Virginia Commercial Space Flight Authority (VCSFA)	This Document
Virginia Economic Development Partnership	This Document
Virginia Horse Center Foundation	This Document
Virginia Housing Development Authority	This Document
Virginia Land Conservation Foundation (DCR)	State Agency
Virginia Museum of Fine Arts Foundation (VMFA)	State Agency
Virginia National Defense Industrial Authority	This Document
Virginia Outdoors Foundation	This Document
Virginia Port Authority and Virginia International Terminals	This Document
Virginia Public Building Authority	Treasury
Virginia Public School Authority	Treasury
Virginia Resources Authority	This Document
Virginia Schools for the Deaf and Blind Foundation (DOE)	State Agency
Virginia Sesquicentennial of the American Civil War Foundation (DLS)	State Agency
Virginia Tobacco Settlement Foundation	This Document
Virginia Tourism Authority	This Document
Virginia University Research Partnership	This Document
Virginia Winery Distribution Company (DACCS)	State Agency

Component Units, Continued

Required submissions

A list of required submissions for component units covered by this document follows. See “Entities and Applicable Guidance” in the previous section for identification of entities covered by this document.

- Financial Statements (selected component units)
- Supplemental Information (all component units)
- Attachment CU1: Entity Additional Information Survey
- Attachment CU2: **GASBS No. 14** Checklist Modified to Reflect **GASBS No. 39**
Note: The entity will complete this for itself.
- Attachment CU3: **GASBS No. 14** Checklist Modified to Reflect **GASBS No. 39**
Note: The entity will complete this for any organizations, foundations, or component units related to it.
- Attachment CU4: Financial Statement Template For Selected Component Units
- Attachment CU5: Federal Schedules
- Attachment CU6: Schedule of Cash, Cash Equivalents, and Investments as of June 30
- Attachment CU7: **GASBS No. 20** for Statement Entities
- Attachment CU8: Capital Asset Disclosures
- Attachment CU9: Asset and Liability Disclosures
- Attachment CU10: Statement Entities – Conversion to Statement of Activities
- Attachment CU11: Short-term Debt
- Attachment CU12: Intrafund Activity
- Attachment CU13: **GASBS No. 42**, *Impairment of Capital Assets and Insurance Recoveries*
- Attachment CU14: **GASBS No. 48**, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*
- Attachment CU15: Invested in Capital Assets, Net of Related Debt - Note: for those non-profit foundations that follow FASB guidance for financial reporting purposes.

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Component Units, Continued

Due dates

Submission due dates for component units covered by this document are as follows. (See “Entities and Applicable Guidance”)

Attachments CU1 – CU3	Attachments CU4 – CU5	Financial Statements	Attachments CU6 – CU15	Supplemental Information
July 30	August 27	September 22	September 22	Varies (see Supplemental Section)

Component Unit	Applicable Attachments
Advantage Virginia Incentive Program Foundation	CU1-CU5 and Supplemental Information
A.L. Philpott Manufacturing Extension Partnership*	CU1-CU3, CU5, Financial Statements, CU6-CU11, CU13, CU14, Supplemental Information
Assistive Technology Loan Fund Authority	CU1-CU5 and Supplemental Information
Belmont Bay Science Center Foundation*	CU1-CU3, CU5, Financial Statements, CU6-CU11, CU13, CU14, CU15, Supplemental Information
Danville Science Center, Inc.*	CU1-CU3, CU5, Financial Statements, CU6-CU11, CU13, CU14, CU15, Supplemental Information
Fort Monroe Federal Area Development Authority	CU1-CU5 and Supplemental Information
Hampton Roads Sanitation District Commission*	CU1-CU3, CU5, Financial Statements, CU6-CU11, CU13, CU14, Supplemental Information
Library of Virginia Foundation*	CU1-CU3, CU5, Financial Statements, CU6-CU11, CU13, CU14, CU15, Supplemental Information
Science Museum of Virginia Foundation*	CU1-CU3, CU5, Financial Statements, CU6-CU11, CU13, CU14, CU15, Supplemental Information
Small Business Financing Authority	CU1-CU5 and Supplemental Information
Tobacco Indemnification and Community Revitalization Commission	CU1-CU5 and Supplemental Information
Virginia Arts Foundation	CU1-CU5 and Supplemental Information
Virginia Biotechnology Research Partnership Authority*	CU1-CU3, CU5, Financial Statements, CU6-CU11, CU13, CU14, Supplemental Information
Virginia Commercial Space Flight Authority*	CU1-CU3, CU5, Financial Statements, CU6-CU11, CU13, CU14, Supplemental Information
Virginia Economic Development Partnership	CU1-CU5 and Supplemental Information
Virginia Horse Center Foundation*	CU1-CU3, CU5, Financial Statements, CU6-CU11, CU13, CU14, CU15
Virginia Housing Development Authority*	CU1-CU3, CU5, Financial Statements, CU6-CU11, CU13, CU14, Supplemental Information

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Component Units, Continued

Component Unit	Applicable Attachments
Virginia Land Conservation Foundation	CU1-CU5 and Supplemental Information
Virginia Museum of Fine Arts Foundation*	CU1-CU3, CU5, Financial Statements, CU6-CU11, CU13, CU14, CU15, Supplemental Information
Virginia National Defense Industrial Authority	CU1-CU5 and Supplemental Information
Virginia Outdoors Foundation	CU1-CU5 and Supplemental Information
Virginia Port Authority and Virginia International Terminals*	CU1-CU3, CU5, Financial Statements, CU6-CU11, CU12, CU13, CU14, Supplemental Information
Virginia Public School Authority*	CU1-CU3, CU5, Financial Statements, CU6-CU11, CU13, CU14, Supplemental Information
Virginia Resources Authority*	CU1-CU3, CU5, Financial Statements, CU6-CU11, CU13, CU14, Supplemental Information
Virginia Schools for the Deaf and Blind Foundation	CU1-CU5 and Supplemental Information
Virginia Tobacco Settlement Foundation	CU1-CU5 and Supplemental Information
Virginia Tourism Authority	CU1-CU5 and Supplemental Information
Virginia University Research Partnership	CU1-CU5 and Supplemental Information
Virginia Sesquicentennial of the American Civil War Foundation	CU1-CU5 and Supplemental Information

Note*: If a component unit's financial statement submission is unaudited see page 22 for fluctuation analysis.

Related Organizations

Definition

A related organization is an organization for which the elected officials of the Commonwealth are accountable because they appoint a voting majority of the board, but are not financially accountable. The Commonwealth is required to disclose the nature of its accountability for related organizations in the notes to the financial statements.

Entities

Related organization submission requirements are provided in this document

The following summarizes the Commonwealth's related organizations:

- Center for Rural Virginia
 - Chesapeake Bay Bridge and Tunnel Commission
 - Foundation for Virginia's Natural Resources
 - Hampton Roads Sports Facility Authority
 - Jamestown-Yorktown Educational Trust
 - Jamestown-Yorktown Foundation, Inc.
 - Tobacco Settlement Financing Corporation
 - Tourist Train Development Authority
 - Virginia Birth-Related Neurological Injury Compensation Program
 - Virginia Capital Preservation Foundation
 - Virginia Employee Voluntary Accounts Program
 - Virginia Recreational Facilities Authority
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Required submissions and due dates

The following submissions are required from related organizations. All information is due **July 30, 2009**. **Financial Statements are due September 22, 2009**. The Department of Accounts (DOA) may contact related organizations with questions regarding the financial information submitted.

- Financial Statements
- Attachment CU1: Entity Additional Information Survey
- Attachment CU2: **GASBS No. 14** Checklist Modified to Reflect **GASBS No. 39**

Note: The entity will complete this for itself.

Submission of Financial Statements / Templates and Attachments

Due dates To avoid delays in preparing the CAFR, it is imperative that DOA receives the entity's information on or before the established deadlines. Please communicate these requirements and due dates to the entity's auditors to ensure the timely completion of the audit.

Submitting financial material Entities should send the required materials by **ONE** of the following methods:

E-mail: finrept-CU@doa.virginia.gov

OR

Fax: (804) 225-2430

OR

Mail: Sharon Lawrence
Director, Financial Reporting
Department of Accounts
P.O. Box 1971
Richmond, VA 23218-1971

Availability **Component Unit Year-End Reporting Memorandum – FY 2009** and the attachments are available on DOA's website at www.doa.virginia.gov. Click on the "Financial Statement Directives" link.

Questions Andrew Short
Financial Reporting Analyst
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Preparation of Financial Statements / Templates and Attachments

Introduction

This section lists important GASB Statements which provide guidance on preparation of GAAP Basis Financial Statements. For additional information, refer to the non-authoritative [GAAP Master List](#) which is located on DOA's website at www.doa.virginia.gov. Click on the "Financial Statement Directives" link.

[GASBS No. 7 and GASBS No. 23 disclosures](#)

GASBS No. 7, *Advance Refundings Resulting in Defeasance of Debt*, provides guidance on required disclosures for refunding of debt for all governmental entities.

- At a minimum, the disclosures should include the difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete the refunding, and the economic gain or loss resulting from the refunding.
- Please ensure this information is included in the entity's notes to the financial statements.

GASBS No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, establishes standards of accounting and financial reporting for current refundings and advance refundings resulting in defeasance of debt reported by proprietary activities.

[GASBS No. 27 net pension obligation entries](#)

The Virginia Economic Development Partnership (VEDP), the Virginia Tourism Authority (VTA), the Virginia Outdoors Foundation (VOF), and the Virginia National Defense Industrial Authority (VNDIA) **are required** to record a Net Pension Obligation (NPO) in the individual financial statements to comply with **GASBS No. 27**, *Accounting for Pensions by State and Local Governmental Employers*. The VEDP, VTA, VOF, and VNDIA NPO is calculated as part of the Commonwealth's pension liability (a separate actuarial valuation is not done for VEDP, VTA, VOF or VNDIA), but the Commonwealth is not considered the employer for VEDP, VTA, VOF or VNDIA.

DOA will provide any applicable information in a separate communication. Other entities that need to record a NPO are responsible for computing the amount.

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Preparation of Financial Statements / Templates and Attachments, Continued

[GASBS No. 28 securities lending entries](#)

DOA will provide asset, liability, income, and expense amounts for each entity's share of securities lending transactions, if any, held in the General Account of the Commonwealth. This information and guidance on where these amounts should be recorded in the financial statements will be provided in a separate communication.

[GASBS No. 33 and GASBS No. 36](#)

Nonexchange transactions must be reported in accordance with **GASBS No. 33** and **GASBS No. 36** (Guidance available in the **GASBS No. 33** – Nonexchange Transactions Overview section in the **Authoritative Literature / Guidance for Preparation of GAAP Basis Fund Financial Statement Templates** document located in **Comptroller's Directive No. 1-09**, which can be found on DOA's website at www.doa.virginia.gov by clicking on the "Financial Statement Directives" link .).

[GASBS No. 34 / GASBS No. 37 / Interpretation No. 6](#)

GASBS No. 34, **GASBS No. 37**, and **GASB Interpretation No. 6** establish the financial reporting model (see also **GASBS No. 34 – Financial Reporting Model Overview** section in the **Authoritative Literature / Guidance for Preparation of GAAP Basis Fund Financial Statement Templates** document located in **Comptroller's Directive No. 1-09**, which can be found on DOA's website at www.doa.virginia.gov by clicking on the "Financial Statement Directives" link .).

[GASBS No. 38](#)

GASBS No. 38, *Certain Financial Statement Note Disclosures*, establishes and modifies disclosure requirements related to the summary of significant accounting policies, actions taken to address violations of significant finance-related legal and contractual provisions, debt and lease obligations, short-term debt, disaggregation of receivable and payable balances, and interfund balances and transfers.

[GASBS No. 39](#)

GASBS No. 39, *Determining Whether Certain Organizations Are Component Units*, amends **GASBS No. 14** by providing criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with the primary government. **GASBS No. 39** also provides reporting requirements for such organizations.

[GASBS No. 40](#)

GASBS No. 40, *Deposit and Investment Risk Disclosures*, amends **GASBS No. 3** by updating the custodial credit risk disclosure requirements and establishing more comprehensive disclosure requirements for other common risks of deposits and investments.

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Preparation of Financial Statements / Templates and Attachments, Continued

GASBS No. 42 **GASBS No. 42**, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, requires evaluation of events and circumstances that might impair the value of capital assets. It also provides guidance on reporting permanently impaired capital assets and all insurance recoveries.

Attachments CU4 – Tab 9 – Imprmnt. of Cap. Assets and Attachment CU13 gather this information for CAFR reporting. Component Units that may have materially impaired capital assets should read and understand the requirements of **GASBS No. 42** and ensure it is properly reflected in the financial statements.

GASBS No. 43 **GASBS No. 43**, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes uniform standards of financial reporting by state and local governmental entities for other postemployment benefit plans.

GASBS No. 45 **GASBS No. 45**, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, establishes uniform standards of financial reporting by state and local governmental entities for other postemployment benefit plans. The Virginia Economic Development Partnership (VEDP), the Virginia Tourism Authority (VTA), the Virginia Outdoors Foundation (VOF), and the Virginia National Defense Industrial Authority (VNDIA) **are required** to record Postemployment Benefits Other Than Pensions in the individual financial statements to comply with **GASBS No. 45**.

DOA will provide any applicable entry information in a separate communication.

GASBS No. 46 **GASBS No. 46**, *Net Assets Restricted by Enabling Legislation*, provides additional clarification and reporting guidance on net assets that are restricted as a result of enabling legislation.

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Preparation of Financial Statements / Templates and Attachments, Continued

GASBS No. 47 **GASBS No. 47**, *Accounting for Termination Benefits*, provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees that are involuntarily terminated.

Attachment CU4, Tab 8, requests information on the impact of **GASBS No. 47**.

GASBS No. 48 **GASBS No. 48**, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* requires a transaction in which a government receives or is entitled to resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues to be reported as a collateralized borrowing resulting in a liability rather than as a sale unless the specific criteria for reporting as a sale are met [GASB-S48:5-18]. Also, this statement requires governments to report transfers or donations of capital assets or financial assets within a financial reporting entity at the carrying value at the time of transfer.

Attachment CU4, Tab 8 and Attachment CU14 requests information on the impact of **GASBS No. 48**.

GASBS No. 49 **GASBS No. 49**, *Accounting and Financial Reporting for Pollution Remediation Obligations*, addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of *existing* pollution by participating in pollution remediation activities such as site assessments and cleanups. The requirements of **GASBS No. 49** are effective for fiscal year 2009 and thereafter. Refer to the on-line training available in the **Comptroller's Directives Team Room** in the **Knowledge Center** at: <https://covkc.virginia.gov>, click on the "Team Center" link, then click the "Team Rooms" link. Search using the keyword "Directive" and click on the "DOA Comptroller's Directive" link. Click the "Contents" link (under Options) and finally, click the course/reference link.

Attachment CU4, Tab 8 and Attachment CU 9, Liabilities tab requests information on the impact of **GASBS No. 49**.

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Preparation of Financial Statements / Templates and Attachments, Continued

[GASBS No. 50](#) **GASBS No. 50**, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*, more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits.

[GASBS No. 52](#) **GASBS No. 52**, *Land and Other Real Estate Held as Investments by Endowments*, establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. This statement is effective for fiscal year 2009.

[GASBS No. 55](#) **GASBS No. 55**, *The Hierarchy of Generally Accepted Accounting Principles*, incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Board's (GASB) authoritative literature. This statement is effective upon issuance, March 2009.

[GASBS No. 56](#) **GASBS No. 56**, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, addresses three issues not included in the authoritative literature that establishes accounting principles – related party transactions, going concern considerations, and subsequent events. This statement is effective upon issuance, March 2009.

[GASB Technical Bulletin 2003-1](#) **GASB Technical Bulletin 2003-1**, *Disclosure Requirements for Derivatives Not Presented at Fair Value on the Statement of Net Assets*, provides guidance on derivative disclosures.

[GASB Technical Bulletin 2004-2](#) **GASB Technical Bulletin 2004-2**, *Recognition of Pension and Other Postemployment Benefit Expenditures / Expense and Liabilities by Cost-Sharing Employers*, provides guidance on pension and other postemployment benefit disclosures.

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Preparation of Financial Statements / Templates and Attachments, Continued

SOP 98-1 Internal use computer software costs

SOP 98-1, “*Capitalization of Software Costs*,” issued by the AICPA, provides the requirements for capitalizing costs of software developed or obtained for internal use. The Commonwealth has elected to follow **SOP 98-1**. Any inquiries may be addressed to those listed in the [Questions](#) section of this document.

Other interpretations to consider

Interpretation No. 2, *Disclosure of Conduit Debt Obligations*

Interpretation No. 3, *Financial Reporting for Reverse Repurchase Agreements*

Interpretation No. 4, *Accounting and Financial Reporting for Capitalization Contributions to Public Entity Risk Pools*

Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

Upcoming GASB Statements

GASBS No. 51

GASBS No. 51, *Accounting and Financial Reporting for Intangible Assets*, requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. **GASBS No. 51** also provides authoritative guidance that specifically addresses the nature of these intangible assets.

GASBS No. 53

GASBS No. 53, *Accounting and Financial Reporting for Derivative Instruments*, addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by state and local governments. The requirements of **GASBS No. 53** are effective for fiscal year 2010 and thereafter.

GASBS No. 54

GASBS No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The requirements of **GASBS No. 54** are effective for fiscal year 2011 and thereafter.

Supplemental Information

Hampton Roads Sanitation District Commission

Please provide the following information by **September 22, 2009**:

- Ensure that “property and casualty insurance” and “hospitalization insurance” are reported separately on **Attachment CU9, Asset and Liability Disclosures** as either “other liabilities” or “other long-term liabilities.”
 - The breakdown of cash balances (between book and bank balances) as of June 30, 2009.
 - A schedule of investments (GASB 40 report) that includes cusip number, rating agency, credit rating, and breakdown of maturities.
-

Tobacco Indemnification and Community Revitalization Commission

Please provide the following investment information by **November 23, 2009**:

- The value for the reporting entity's holdings (including any component units) as of November 13, 2009. This information should consider the portfolio taken as a whole and be comparable to the information already provided to DOA pursuant to the GASB 3/40 disclosures with a valuation date of June 30. Please provide any significant inflows or outflows of funds since June 30 that could have impacted the bottom line value of the holdings as of November 13 when compared with June 30. In addition, please provide a brief description of any risk mitigation strategies that have either been, or are anticipated to be, employed. For declines in values for the entity's holdings, please specify the amount that was due to market deteriorations versus those related to risk mitigation strategies. Please also provide information on any holdings that may be financially impaired as of November 13 (i.e., companies in bankruptcy) and the extent of these holdings in relation to the total portfolio. An assessment of the potential risk exposure, expressed as a percentage of the June 30 portfolio value, is also required.

In addition to the investment portfolio changes, include any interest rate changes, and associated costs, related to variable rate debt if the changes have a significant potential dollar impact and/or impact on the entity's operations

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Supplemental Information, Continued

Virginia Housing Development Authority

Please provide the following information by **September 22, 2009**:

- The breakdown between long-term liabilities due within one year and due in greater than one year for Notes Payable.
- A Schedule of Changes in Long-term Liabilities (beginning balance 7/1/08, additions, deletions, ending balance 6/30/09) for the following:
 - Current Escrows and Project Reserves, if applicable
 - Current Rebate Liability, if applicable
 - Non-current Rebate Liability, if applicable
- The breakdown of unrestricted and restricted cash amounts
- The breakdown of unrestricted and restricted cash equivalent amounts
- The breakdown of unrestricted and restricted assets, current and non-current.

Please provide the following investment information by **November 23, 2009**:

- The value for the reporting entity's holdings (including any component units) as of November 13, 2009. This information should consider the portfolio taken as a whole and be comparable to the information already provided to DOA pursuant to the GASB 3/40 disclosures with a valuation date of June 30. Please provide any significant inflows or outflows of funds since June 30 that could have impacted the bottom line value of the holdings as of November 13 when compared with June 30. In addition, please provide a brief description of any risk mitigation strategies that have either been, or are anticipated to be, employed. For declines in values for the entity's holdings, please specify the amount that was due to market deteriorations versus those related to risk mitigation strategies. Please also provide information on any holdings that may be financially impaired as of November 13 (i.e., companies in bankruptcy) and the extent of these holdings in relation to the total portfolio. An assessment of the potential risk exposure, expressed as a percentage of the June 30 portfolio value, is also required.

In addition to the investment portfolio changes, include any interest rate changes, and associated costs, related to variable rate debt if the changes have a significant potential dollar impact and/or impact on the entity's operations.

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Supplemental Information, Continued

Virginia Resources Authority

Please provide the following investment information by **November 23, 2009**:

- The value for the reporting entity's holdings (including any component units) as of November 13, 2009. This information should consider the portfolio taken as a whole and be comparable to the information already provided to DOA pursuant to the GASB 3/40 disclosures with a valuation date of June 30. Please provide any significant inflows or outflows of funds since June 30 that could have impacted the bottom line value of the holdings as of November 13 when compared with June 30. In addition, please provide a brief description of any risk mitigation strategies that have either been, or are anticipated to be, employed. For declines in values for the entity's holdings, please specify the amount that was due to market deteriorations versus those related to risk mitigation strategies. Please also provide information on any holdings that may be financially impaired as of November 13 (i.e., companies in bankruptcy) and the extent of these holdings in relation to the total portfolio. An assessment of the potential risk exposure, expressed as a percentage of the June 30 portfolio value, is also required.

In addition to the investment portfolio changes, include any interest rate changes, and associated costs, related to variable rate debt if the changes have a significant potential dollar impact and/or impact on the entity's operations.

Continued on next page

Supplemental Information, Continued

All component units

Provide the information listed below to DOA by **September 22, 2009** if the entity received any of the following that offset the cost of goods and services purchased by the institution during fiscal year 2009: 1) purchase discounts, 2) rebates or allowances, 3) recoveries or indemnities on losses, 4) insurance refunds or rebates, or 5) adjustments of overpayments or erroneous charges*.

- Description
- Fund-fund detail
- Revenue source code or expense program
- Amount

* **Note:** Contact Penny Williams at (804) 225-3804 or Penny.Williams@doa.virginia.gov if you have any questions regarding this supplemental information.

Applicable entities

For the following component units, please complete by **January 21, 2010** from the Comptroller's Directive No. 1-09, Directive Compliance Guidelines for State Agencies **Attachment 32, 2009 Off-Balance Sheet Financial Obligations**, which is located on DOA's website at www.doa.virginia.gov. Click on the "Financial Statement Directives" link.

- Small Business Financing Authority
 - Tobacco Indemnification and Community Revitalization Commission
 - Virginia Arts Foundation
 - Virginia Economic Development Partnership
 - Virginia Land Conservation Foundation
 - Virginia National Defense Industrial Authority
 - Virginia Port Authority
 - Virginia Tobacco Settlement Foundation
 - Virginia Tourism Authority
 - Virginia Sesquicentennial of the American Civil War Foundation
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Preparation of Fluctuation Analyses

Due date All component unit entities that are required to submit a financial statement template (Attachment CU4) must provide a fluctuation analysis, which should be submitted electronically to the APA and DOA by **August 27, 2009**.

Requirements The fluctuation analysis included in the component unit template file (Attachment CU4) compares the current year's financial statement template activity to the prior year's financial statement template activity. Material variances must be explained as well as line items which have a current year amount, but prior year amount was zero or line items that have a prior year amount, but current year amount is zero. For the prior year amounts to appear, the component unit must first select the entity's name from the drop-down list. Prior year financial statement template amounts for the component unit will appear in the prior year column and the #N/A's will disappear. There are also columns to show dollar and percentage variances. In addition, for those financial statement line items that meet the materiality scopes listed below, a column titled "Is a fluctuation explanation required?" has been added. If a "yes" appears in the "Is a fluctuation explanation required?" column, the explanation should be provided in a Microsoft Word document and submitted along with the template.

Materiality scopes The materiality scopes for component units that submit a template are the following:

- Increases or decreases greater than 10% and \$2,000,000 or
 - Increases or decreases greater than \$7,000,000.
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Review of fluctuation analyses Ensure the explanations for the fluctuation analysis are reviewed and approved by the appropriate individual. The reviewers should consider whether significant variances should be discussed with the agency head or designee.

Additional explanations DOA may request explanations for other variances that are not explained or additional information as needed.
