



COMMONWEALTH of VIRGINIA

DAVID A. VON MOLL, CPA
COMPTROLLER

Office of the Comptroller

P. O. BOX 1971
RICHMOND, VIRGINIA 23218-1971

June 22, 2015

MEMORANDUM

TO: Component Unit/Related Organization Contacts

FROM: David A. Von Moll

Component Unit Year-End Reporting Memorandum – FY 2015

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

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 begins on page 10 and page 12 for related organizations.

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.

Component Unit Year-End Reporting Memorandum – FY 2015, Continued

The **Preparation of Financial Statements/Templates and Attachments** section addresses GASB Statements effective for both this and future years. Additional guidance can be found in the **Authoritative Literature/Guidance for Preparation of GAAP Basis Fund Financial Statement Templates** document which can be found on DOA's website at www.doa.virginia.gov by clicking on the "Financial Statement Directives" link. The document includes information on the following GASB Statements:

- **GASBS No. 33** – *Nonexchange Transactions Overview*
- **GASBS No. 34** – *Financial Reporting Model Overview*
- **GASBS No. 42** – *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries Overview*
- **GASBS No. 49** – *Accounting and Financial Reporting for Pollution Remediation Obligations Overview*
- **GASBS No. 51** – *Accounting and Financial Reporting for Intangible Assets Overview*
- **GASBS No. 54** – *Fund Balance Reporting and Governmental Fund Type Definitions Overview*
- **GASBS No. 61** – *The Financial Reporting Entity: Omnibus Overview*
- **GASBS No. 62** – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements Overview*
- **GASBS No. 63** – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position Overview*
- **GASBS No. 65** – *Items Previously reported as Assets and Liabilities*

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

The fluctuation analyses in the **Component Unit Template** tab of directive **Attachment CU4 and CU4 – FASB Foundations**, Financial Statement Template (FST), compares the current year's financial statement template activity to the prior year's financial statement template activity. Significant 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.

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Component Unit Year-End Reporting Memorandum – FY 2015, Continued

SAS 122

Statement on Auditing Standards No. 122, *Statements on Auditing Standards: Clarification and Recodification (SAS 122)*, states that the identification by the auditors of a material misstatement is an indicator of a material weakness in internal control. This also includes restatements of previously issued financial statements to reflect a correction of a material misstatement. This applies to whether the auditors or the entity discovers the restatement.

Note: This does not apply to a change in accounting principle to comply with a new accounting principle or a justifiable voluntary change from one GAAP to another. Entities must ensure controls are in place to avoid material misstatements and/or misclassifications in the attachments and other financial information submitted to DOA.

Attachments with Changes

Selected attachments

- Updated attachment instructions to request that the subject line include the Entity's acronym and Attachment number when submitting the attachment.
 - On the **Revision Control Log** tab, added the **Certification** tab as an option under the Tab Name column.
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Attachment CU1, Entity Additional Information Survey

- Consolidated the previous Part 5 with Part 4 and changed the format of Part 4. Part 4 also has been modified to incorporate **GASBS Nos. 68, 69, and 71**. This information is for planning purposes to facilitate the new **GASBS** implementation and help ensure reporting consistency in the CAFR.
 - Part 4 only has a question to identify any **new** deferred outflows of resources and deferred inflows of resources reported by the entity, excluding foundations, as required by **GASBS No. 65** for FY 2015.
 - Revised Part 5 to incorporate **GASBS No. 69**.
 - Moved questions related to **GASBS No. 70** in the previous Part 6 to **Attachment CU4 – Tab 8 Miscellaneous**.
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Component Unit Year-End Reporting Memorandum – FY 2015, Continued

Attachments with Changes, Continued

Attachment CU4, Financial Statement Template (FST)

- On **Component Unit Template tab**, added a new “Due to External Parties (Fiduciary Funds)” line item to provide more detailed information. This line item is only to report amounts owed to the Virginia Retirement System (VRS) as of year-end.
 - On **Component Unit Template tab**, removed a line item of Unamortized Bond Issuance Expense (prepaid insurance costs related to bond issuance) and indicated the item should be reported as other assets.
 - On **Component Unit Template tab**, removed a line item of Contributions Receivable, Net.
 - On **Tab 2 – Receivables**, added Due to External Parties (Fiduciary Funds) table to Part 2 Due to/From.
 - On **Tab 8 – Miscellaneous**, revised Part 15a to incorporate **GASBS Nos. 68, 69, and 71** and Part 15b to incorporate **GASBS No. 68**. Also added Part 17 to incorporate **GASBS No. 69**.
 - On **Tab 8 – Miscellaneous**, moved questions related to **GASBS No. 70** in Part 18 from **Attachment CU 1**.
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Attachment CU4 – FASB Foundations, Financial Statement Template (FST)

- On **Component Unit Template tab**, removed line items of deferred outflows of resources and deferred inflows of resources.
 - On **Tab 1A – Detail Fdn**, removed the previous questions of Part 12 from this tab and renumbered previous Parts 13, 14, and 15 accordingly.
 - On **Tab 1B – Cash Eq. & Inv. Not w Tr**, added 90 days or less and 91 days – 364 days maturity columns and removed less than 1 year maturity column from this tab.
 - On **Tab 2 – Receivables**, expanded the table in Part 2 - Contributions Receivable to obtain information of the discount rate used to determine present value ranges.
 - Removed **Tab 1C - Foreign Currency Investment, Tab 1D – GASBS 31, 52, 59, Tab 8 – Miscellaneous, and Tab 9 – Impairment of Capital Assets** from this attachment.
 - On **Tab 4 – LT Liabilities**, removed Part 6 - Pension and Part 7 - Other Postemployment Benefits (OPEB) from this tab.
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Component Unit Year-End Reporting Memorandum – FY 2015, Continued

Attachments with Changes, Continued

Attachment CU5, Federal Schedules Questionnaire

- The Office of Management and Budget (OMB) revised federal regulations in December 2014, and a separate communication from DOA identifies DOA's responsibilities applicable to the revised guidance. Entity personnel must thoroughly review the new uniform guidance to ensure they understand the entity's specific responsibilities. These modifications and entity responsibilities are more thoroughly outlined in the Attachment CU-5 instructions.
 - Added an item to the Questionnaire file regarding the entity's election to use the 10 percent de minimus cost rate per Section 200.414 of the new regulations in 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.
 - Clarified the question regarding disbursements to subrecipients and added a new tab to the Questionnaire file labeled **Disbursements** tab to capture any differences between amounts reported on the disbursements tabs and the **SEFA** tab.
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Component Unit Year-End Reporting Memorandum – FY 2015, Continued

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 unmodified 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.**

No early implementation of GASB statements

For consistency in reporting all entities in the CAFR, the Commonwealth's policy is **no early implementation** of any GASB statement. If an entity early implements any GASB statement in its individually published financial statements, the Attachment CU4 and Financial Statement Templates, **must exclude** the effects of any early implementations.

Thank you

Thank you in advance for assisting to successfully complete the Commonwealth of Virginia's *Comprehensive Annual Financial Report* for fiscal year 2015.

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. 1-15, Directive Compliance Guidelines for State Agencies**
- **Comptroller's Directive No. 2-15, Directive Compliance Guidelines for Higher Education Institutions**
- **Comptroller's Directive No. 3-15, Directive Requirements Listing for the Department of the Treasury** (provided directly to the Agency)
- **Comptroller's Directive No. 4-15, Directive Requirements Listing for the Department of Transportation** (provided directly to the Agency)
- **Frequently Asked Questions** (State Agency)
- **Component Unit Year-End Reporting Memorandum – FY 2015** (This Document)
- **Authoritative Literature/Guidance for Preparation of GAAP Basis Fund Financial Statement Templates and Glossary** documents located in **Comptroller's Directive No. 1-15**.
- **GASBS No. 48 Commonwealth of Virginia Intra-Entity Reporting List**
- **GASBS No. 51 Frequently Asked Questions**

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

Component Unit	Applicable Directive/ Memorandum
A. L. Philpott Manufacturing Extension Partnership	This Document
Assistive Technology Loan Fund Authority	This Document
Danville Science Center, Inc. (SMV)	This Document
Fort Monroe Authority	This Document
Hampton Roads Sanitation District Commission	This Document
Higher Education Institutions (Including Foundations and other CU's)	Higher Education
Innovation and Entrepreneurship Investment Authority	Higher Education
Institute for Advanced Learning and Research	Higher Education
Library of Virginia Foundation (LVA)	This Document

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Component Units, Continued

Entities and applicable guidance (continued)

Component Unit	Applicable Directive/ Memorandum
New College Institute	Higher Education
Roanoke Higher Education Authority	Higher Education
Route 460 Funding Corporation of Virginia (VDOT)	Transportation
Science Museum of Virginia Foundation, Inc. (SMV)	This Document
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)	This Document
Virginia Biotechnology Research Partnership Authority and Virginia Biosciences Development Center	This Document
Virginia College Building Authority	Treasury
Virginia Commercial Space Flight Authority	This Document
Virginia Economic Development Partnership	This Document
Virginia Foundation for Healthy Youth	This Document
Virginia Health Workforce Development Authority	This Document
Virginia Horse Center Foundation	This Document
Virginia Housing Development Authority	This Document
Virginia Land Conservation Foundation (DCR)	This Document
Virginia Museum of Fine Arts Foundation (VMFA)	This Document
Virginia Offshore Wind Development Authority (DMME)	This Document
Virginia Outdoors Foundation	This Document
Virginia Port Authority including Virginia International Terminals, LLC	This Document
Virginia Public Building Authority	Treasury
Virginia Public School Authority	Treasury
Virginia Resources Authority	This Document
Virginia School for the Deaf and Blind Foundation	This Document
Virginia Sesquicentennial of the American Civil War Foundation	This Document
Virginia Small Business Financing Authority (DSBSD)	This Document
Virginia Tourism Authority	This Document
Virginia Universities Clean Energy Development and Economic Stimulus Foundation	This Document
Virginia University Research Partnership	This Document

Training

For additional information, refer to the online training available in the Knowledge Center at : <https://covkc.virginia.gov>. Click on the “Learning Center” link and then click the “Course Catalog” link. Search using the keyword “Directive” and then click the course reference link.

If you have difficulty accessing the training, contact doatraining@doa.virginia.gov.

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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 Nos. 39 and 61**

Note: The entity will complete this for itself.

- **Attachment CU3:** **GASBS No. 14** Checklist Modified to Reflect **GASBS Nos. 39 and 61**

Note: The entity will complete this for any organizations, foundations, or component units related to it.

- **Attachment CU4:** Financial Statement Template (FST)
- **Attachment CU4 - FASB Foundations:** Financial Statement Template for FASB Foundations
- **Attachment CU5:** Federal Schedules
- **Attachment CU6:** Intrafund Activity
- **Attachment CU7:** Subsequent Events

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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”)

All entities must complete CU1-CU5, CU7, and Supplemental Information.

The following entities must also complete a CU6 due by **September 17, 2015**:

- Virginia Biotechnology Research Partnership Authority and Virginia Biosciences Development Center

All Entities Attachments CU1 – CU3	All Entities Supplemental Information	All Entities Attachment CU7
July 23	Varies (see Supplemental Section)	November 16

Attachments CU4 and CU5 are due by August 20 for the following entities:

Assistive Technology Loan Fund Authority
Virginia Arts Foundation
Virginia Foundation for Healthy Youth
Virginia Health Workforce Development Authority
Virginia Land Conservation Foundation
Virginia Offshore Wind Development Authority
Virginia School for the Deaf and Blind Foundation
Virginia Sesquicentennial of the American Civil War Foundation
Virginia Small Business Financing Authority
Virginia Universities Clean Energy Development and Economic Stimulus Foundation
Virginia University Research Partnership

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Component Units, Continued

Due Dates, continued

Attachments CU4, CU5 and audited financial statements are due by September 17 for the following entities:
A.L. Philpott Manufacturing Extension Partnership
Fort Monroe Authority
Hampton Roads Sanitation District Commission
Tobacco Indemnification and Community Revitalization Commission
Virginia Biotechnology Research Partnership Authority and Virginia Biosciences Development Center
Virginia Commercial Space Flight Authority
Virginia Economic Development Partnership
Virginia Housing Development Authority
Virginia Outdoors Foundation
Virginia Port Authority including Virginia International Terminals, LLC
Virginia Resources Authority
Virginia Tourism Authority

Note: If a component unit's financial statement submission is unaudited, see page 18 for fluctuation analysis requirements.

Attachments CU4 - FASB Foundations, CU5 and audited financial statements are due by September 17 for the following entities
Danville Science Center, Inc.
Library of Virginia Foundation
Science Museum of Virginia Foundation, Inc.
Virginia Horse Center Foundation
Virginia Museum of Fine Arts Foundation

Note: If a component unit's financial statement submission is unaudited, see page 18 for fluctuation analysis requirements.

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
 - Jamestown-Yorktown Educational Trust
 - Jamestown-Yorktown Foundation, Inc.
 - Tobacco Settlement Financing Corporation
 - Virginia Birth-Related Neurological Injury Compensation Program
 - Virginia Nuclear Energy Consortium
 - Virginia Recreational Facilities Authority
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Required submissions and due dates

The following submissions are required from related organizations. Attachment information is due **July 23, 2015**.

- **Attachment CU1:** Entity Additional Information Survey
- **Attachment CU2:** **GASBS No. 14** Checklist Modified to Reflect **GASBS Nos. 39 and 61**
Note: The entity will complete this for itself.

Financial Statements are due September 17, 2015.

The Department of Accounts (DOA) may contact related organizations with questions regarding the financial information submitted.

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 2015** and the attachments are available on DOA's website at www.doa.virginia.gov. Click on the "Financial Statement Directives" link.

Questions John J. Sotos
Assistant Director – Financial Statements
Voice: (804) 225-2111
E-mail: John.Sotos@doa.virginia.gov

Susan L. Jones
Assistant Director – Financial Statements
Voice: (804) 225-4426
E-mail: Susan.Jones@doa.virginia.gov

Sharon H. Lawrence
Director – Financial Reporting
Voice: (804) 225-2414
E-mail: Sharon.Lawrence@doa.virginia.gov

For specific questions regarding attachments or training, contact:
Attachment Analyst
E-mail: AttachmentAnalyst@doa.virginia.gov

Preparation of Financial Statements/Templates and Attachments

Introduction This section addresses GASB Statements effective for both this and future years. Additional guidance can be found in the **Authoritative Literature/Guidance for Preparation of GAAP Basis Fund Financial Statement Templates** document which can be found on DOA’s website at www.doa.virginia.gov by clicking on the “Financial Statement Directives” link.

GASB Statements Effective for Fiscal Year 2015

GASBS No. 68 **GASBS No. 68**, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, replaces the requirements of **GASBS No. 27**, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of **GASBS No. 50**, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of **GASBS No. 27** and **GASBS No. 50** remain applicable for pensions that are not covered by the scope of this Statement.

(Note that the Virginia Retirement System (VRS) will provide the **GASBS No. 68** data for entities participating in VRS.)

GASBS No. 69 **GASBS No. 69**, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations.

GASBS No. 71 **GASBS No. 71**, *Pension Transition for Contributions Made Subsequent to the Measurement Date* is an amendment of **GASBS No. 68** and will be applied simultaneously with the provisions of **GASBS No. 68**. This Statement allows that, at transition, a government recognizes a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

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Preparation of Financial Statements/Templates and Attachments, Continued

Upcoming GASB Statements

[GASBS No. 72](#) **GASBS No. 72**, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. This Statement defines fair value and provides guidance for determining a fair value measurement for financial reporting purposes. The provisions of **GASBS No. 72** are effective for fiscal year 2016.

Supplemental Information

**Hampton
Roads
Sanitation
District
Commission**

When providing **Attachment CU4**, ensure that “property and casualty insurance” and “hospitalization insurance” are reported separately on **Attachment CU4, Tab 4 – LT Liabilities**, as “other”.

**Tobacco
Indemnification
and
Community
Revitalization
Commission**

Please provide investment information to DOA by **November 16, 2015 only** if requested by DOA in a separate communication.

**Virginia
Housing
Development
Authority**

Please provide the following information by **September 17, 2015**:

- The breakdown of unrestricted and restricted accounts receivable (mortgage and loan, interest, etc.), current and non-current

Please provide investment information to DOA by **November 16, 2015 only** if requested by DOA in a separate communication.

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Supplemental Information, Continued

Virginia Port Authority

Please provide the following information by **September 17, 2015**:

1. Asset classifications to support total restricted assets for use in the Restricted asset footnote in the CAFR.
2. If the total of the net receivable amount reported in the entity's financial statements plus other receivable/due from amounts for the entity **excluding** Virginia International Terminals, LLC does not agree to the net receivables reported in DOA's accounts receivable system as of June 30, a reconciliation must be provided. This reconciliation is a separate Excel file that will be provided in a separate communication. This must be submitted along with the Attachment CU4 submission. As a reminder, accounts receivable data must be entered into DOA's accounts receivable system by the Attachment CU4 due date.

Please complete the following by **January 14, 2016**:

3. Directive **Attachment 33**, 2015 Off-Balance Sheet Financial Obligations, available from **Comptroller's Directive No. 1-15, Directive Compliance Guidelines for State Agencies**, which is located on DOA's website at www.doa.virginia.gov. Click on the "Financial Statement Directives" link.

Note that any amounts reported by the entity on the submission should be consolidated with financial data of Virginia International Terminals, LLC. All intrafund transactions between the entity and Virginia International Terminals, LLC should be eliminated in the preparation of the submission in accordance with GASBS No. 34.

Please be sure to copy the Auditor of Public Accounts (APA) on all e-mail submissions at: APAFinRept@apa.virginia.gov.

Virginia Resources Authority

Please provide investment information to DOA by **November 16, 2015 only** if requested by DOA in a separate communication.

All component units

Provide description, fund/fund detail, revenue source code or expense program, and amount to DOA by **September 17, 2015** if the entity received any of the following that offset the cost of goods and services purchased by the institution during fiscal year 2015: 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*.

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

Preparation of Fluctuation Analyses

Requirements The fluctuation analysis included in the component unit template file (Attachments CU4 & CU4 – FASB Foundations) compares the current year’s financial statement template activity to the prior year’s financial statement template activity. Significant variances must be explained as well as line items which have a current year amount, but the prior year amount was zero or line items that have a prior year amount, but the current year amount is zero.

For the prior year amounts to display, 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 display in the prior year column. 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 \$3,700,000 or
 - Increases or decreases greater than \$7,400,000
-

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 entity head or designee.

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