



WILLIAM McNAMARA
COMPTROLLER

Commonwealth of Massachusetts

OFFICE OF THE COMPTROLLER

ONE ASHBURTON PLACE, 9TH FLOOR
BOSTON, MASSACHUSETTS 02108
(617) 727-5000
MACOMPTROLLER.ORG



MEMORANDUM

TO: Component Unit Liaisons

FROM: Howard Merkowitz, Deputy Comptroller

DATE: July 12, 2021

SUBJECT: FY2021 Component Unit Guidance Package

Executive Summary

Enclosed for your review and preparation is the Commonwealth of Massachusetts' Component Unit Guidance Package. The package provides financial reporting guidance and timelines for the Commonwealth's Fiscal Year 2021 audit.

1. The Guidance includes instructions on implementing GASB Statements as well as your individual schedules for financial reporting.
2. All entities with over \$750,000 of federal expenditures must have an audit that complies with the Uniform Guidance resulting in an opinion, in accordance with Generally Accepted Governmental Auditing Standards. If you are required to have this audit, please inform us. We need to ensure the audit and report issuance meet the Commonwealth's timelines.
3. Please email and send to Cathy.Hunter@mass.gov and pauline.lieu@mass.gov
 - 1 pdf **DRAFT** copy of your audited financial statements by October 1, 2021
 - 1 pdf **FINAL** audited financial statements by October 15, 2021, **hard copies are not necessary.**
 - Copy of your Auditors' Independence Letter by October 15, 2021
 - A copy of your audit firm's most recent peer review report should be included with the Auditors' Independence Letter

Please contact us if there have been changes in your organization that will affect your financial reporting. If you foresee any problems meeting the **October 15th** deadline, please call Pauline Lieu of my office at (617) 973-2668.

Component Unit Fiscal Year-End Reporting Memorandum-Fiscal Year 2021

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 reasons and requirements for the submission to the Office of the Comptroller (CTR). It also outlines and discusses the implementation of Governmental Accounting Standards Board (GASB) Statements.

The **Component Units (CU)** section defines component units, identifies applicable entities for the Commonwealth, and summarizes financial submission requirements. **The due date for submitting audited financial statements is Friday October 15, 2021.** A complete list of due dates for the various attachments for component units of the Commonwealth is located on page 5.

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

The **Supplemental Information** section discusses Related Organizations and their reporting requirements and outlines additional submission instructions for the CU.

Any questions regarding the contents of this guide, attachments, or templates may be directed to the following:

Pauline Lieu
Deputy Chief Financial Reporting Officer
Voice: (617) 973-2668
E-mail: pauline.lieu@mass.gov

Introduction

Reason for submission requirements

Financial statements/templates, attachments, and supplemental information are required for the preparation of the Commonwealth's Annual Comprehensive Financial Report (ACFR). Credit rating agencies use the ACFR as one of the sources of information to determine the Commonwealth's bond rating, and they require parts of the ACFR to be included in bond offering statements. Maintaining an unmodified opinion on the ACFR is critical to the Commonwealth's retention of its bond rating.

GASB Statement No. 68

The Comptroller's Office, in conjunction with the State Employees' Retirement System (SERS) and the Public Employees' Retirement Administration Commission (PERAC), completed the required schedules and footnote disclosures related to GASB 68. As component units of the Commonwealth, and if your employees participate in SERS, you are required to record your allocated share of the pension plan's Net Pension Liability (Unfunded Pension Liability), deferrals and pension expense and make certain footnote and required supplementary information disclosures in your financial statements. These schedules and other necessary information for your entity were distributed via email on April 9, 2021.

GASB Statement No. 75

Similar to the requirements of GASB 68, GASB 75 requires entities to record their share of the net OPEB liability, related deferrals and OPEB expense on their financial statements and make certain footnote and Required Supplementary Information (RSI) disclosures. These schedules were distributed via email on April 16, 2021.

GASB Statements applicable to component units

The following GASB Statements relate to component unit reporting and have been incorporated in this guidance and other related schedules, attachments, templates and/or instructions:

- [GASB Statement No. 14, *The Financial Reporting Entity*](#)
- [GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*](#)
- [GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*](#)
- [GASB Statement No. 80, *Blending Requirements for Certain Component Units*](#)

Implementation of New GASB Statements

The following GASB Statement is required to be implemented during Fiscal Year 2021:

- [Statement No. 93, *Replacement of Interbank Offered Rates, except for paragraphs 11b, 13 and 14*](#)

We strongly urge all entities to consult with your Independent Auditors regarding the implementation of these Statements and their potential effects on your financial statements.

Early implementation of GASB Statements

During Fiscal Year 2020, the Commonwealth, along with all component units, we implemented GASB Statement No. 84, *Fiduciary Activities early*, which would have been required to be implemented during Fiscal Year 2021. In Fiscal Year 2021, no GASB Statements will be implemented early.

Component Units

Definition

Per GASB Statement No. 14, as amended, component units are defined as:

“Legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, a component unit can be another organization for which the nature and significance of its relationship with a primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.”

Component Units, Departments and Entities that are Audited Separately from the Commonwealth

The following summarizes the Commonwealth’s component units and other entities and the applicable guidance as of June 30, 2021:

Definitions in the following table:

Authority – Special Reporting (Blended) – entities that are legally separate from the Commonwealth but are so related to the Commonwealth that they are, in substance, the same as the Commonwealth, or entities that provide services entirely or almost entirely to the Commonwealth – most of this guidance applies, but special reporting occurs.

Department – Special Reporting – a department of the Commonwealth that is separately audited. All of its operations are reported as part of the Commonwealth. Departmental GAAP reporting guidance applies.

Authority – legally separate entity that should follow guidance contained herein.

The following entities will be included in the Commonwealth’s financial statements:

Name	Type
The Massachusetts School Building Authority (MSBA)	Authority–Special Reporting (Blended)
The Pension Reserves Investment Trust Fund (PRIT)	Trust–Special Reporting (Blended)
The Massachusetts Municipal Depository Trust (MMDT)	Trust–Special Reporting (Blended)
The Massachusetts State Lottery Commission	Department–Special Reporting
The Massachusetts Department of Transportation (MDOT)	Authority
The Massachusetts Clean Water Trust	Authority
Commonwealth Health Insurance Connector Authority	Authority
Massachusetts Convention Center Authority (MCCA)	Authority
Massachusetts Development Finance Agency (MassDevelopment)	Authority
Massachusetts Technology Park Corporation (MTPC)	Authority
Massachusetts Clean Energy Center (CEC)	Authority
Massachusetts Growth Capital Corporation (MGCC)	Authority
Commonwealth Corporation	Authority
Community Economic Development Assistance Corporation (CEDAC)	Authority
Massachusetts Life Sciences Center	Authority
Massachusetts Housing Partnership (MHP)	Authority
Commonwealth Zoological Corporation (Zoo)	Authority
Foundations of Institutions of Higher Education (Instructions contained in the separately issued Higher Education Reporting Package)	Authority - Special Reporting

Related Organizations – Please see page 6 for definition and list of Related Organizations

Required submissions

The list of required submissions for component units is as follows:

- Audited financial statements, PDF only, **hard copies are not required**
- Signed Independence Letter (to be sent to CliftonLarsonAllen, LLP (CLA)), including a copy of your audit firm’s most recent peer review report
- Attachment CU1: GASB Statement 14, as amended, Component Unit Checklist
- Attachment CU2: Financial Statement Template for Component Units.
- Attachment CU3: Liability disclosure – reporting of liability in order of liquidity.

CTR requires all component units and related organizations to analyze and complete the component unit checklist to determine whether the requirements of Statement 14, as amended, will impact the reporting of their entities in the Commonwealth’s ACFR.

Please contact Pauline Lieu (617) 973-2668 if you have questions.

Submission of Financial Statements/Templates and Attachments

(See “Entities and Applicable Guidance”)

Due dates

Attachment CU1 (see attached)	Attachment CU2 (Excel worksheet attached) Attachment CU3 (Excel worksheet attached)	Audited Financial Statements Please submit 1 PDF file
Due: Monday August 2, 2021	Due: Friday October 15, 2021	Draft Due: Friday October 1, 2021 Final Due: Friday October 15, 2021

Submission of Financial Statements

Entities must submit the audited financial statements as follows:

- PDF via email to: cathy.hunter@mass.gov and pauline.lieu@mass.gov

Submitting Templates and Attachments (CU1, 2 and 3)

Please send the Templates and Attachments **by e-mail only** to: cathy.hunter@mass.gov and pauline.lieu@mass.gov

Supplemental Information

Related Organizations

Definition

Per GASB Statement No. 14, as amended, related organizations are defined as:

“An organization for which a primary government (in this case the Commonwealth) is accountable because that government appoints a voting majority of the board, but is not financially accountable. The primary government should disclose in the notes to the financial statements the nature of its accountability for related organizations.”

The following are “related organizations”:

- Massachusetts Port Authority
- Massachusetts Housing Finance Agency

- Massachusetts Educational Finance Authority and
- MassVentures (formerly Massachusetts Technology Development Corporation (MTDC))

The Commonwealth is responsible for appointing a voting majority of the members of each entity's board, but the Commonwealth's accountability does not extend beyond these appointments. These entities do not meet the criteria for inclusion as component units of the Commonwealth and therefore are not part of these financial statements; however footnote disclosure is required by the Commonwealth.

Required submissions and due dates

The following submissions are required from related organizations.

CTR's Financial Reporting Team may contact related organizations with questions regarding the submissions.

- Attachment CU1: GASB Statement 14, as amended, Component Unit Checklist (Due Monday August 2, 2021)
- Financial Statements (Due Friday October 15, 2021)

**Instructions for Component Unit Fiscal Year-End
Reporting Memorandum –Fiscal Year 2021
Attachment CU1 – GASBS No. 14 Checklist**

Purpose

This attachment is a checklist used to evaluate, based on GASBS No. 14, as amended by Statement No. 39, Statement No. 61 and Statement No. 80, each organization, foundation, or commission within an entity for possible inclusion as a component unit in the Commonwealth's ACFR. **These organizations may be related to other component units or departments.**

Applicable entities

All component units must complete this attachment.

Submission Requirements

- Please fill out and complete the CU1.
- Email the document to:
 - cathy.hunter@mass.gov
 - pauline.lieu@mass.gov

Certification

The **Certification** section requires the preparer and reviewer to type their names on this form. It is located at the end of the Checklist. Please note that there should be a segregation of duties; therefore, the preparer and the reviewer should not be the same individual. By typing a name, the individual is certifying that this attachment has been reviewed, the information is both complete and accurate, and the preparer and reviewer were not the same.

Due date

Monday August 2, 2021

Instructions for Component Unit Fiscal Year-End Reporting Memorandum –Fiscal Year 2021 Attachment CU2 & CU3 Financial Statement Templates

Purpose

These attachments are used to assist in the preparation of the Component Unit section of the ACFR and are based on the financial statements and footnote information of all component units. It is imperative that all component units complete these worksheets as it will expedite the completion of the component unit statements in the ACFR. Please do not submit your financial statements without completing Attachment CU2 & CU3. We require ALL entities to complete the spreadsheets.

Applicable entities

These attachments are applicable to the authorities and any entities as identified directly by CTR listed on pages 4-5.

Submission requirements

After downloading the file, save the spreadsheet using the same attachment file name. (e.g. MCCACU2&3.xlsx).



Submit the Excel document electronically to:

- cathy.hunter@mass.gov
- pauline.lieu@mass.gov

Do **NOT** submit paper copies of the Excel attachment.

Tab CU2 Financial Statements – Instructions

Below are a few important reporting/presentation items to be aware of in Attachments CU2 and CU3:

- a) The two required statements, the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position are reported on one tab in the worksheet.
- b) On each worksheet tab in Attachment CU2 & CU3, the Component Unit name is linked to the Statement of Net Position. Select your entity name from the dropdown and the Statement of Net Position and the remaining tabs will automatically populate. The remaining contact information and completion dates are left empty to allow for multiple persons to complete separate tabs on separate dates.
- c) Cells requiring input are highlighted in  on each worksheet.
- d) Formulas are locked to prevent editing and are highlighted in  on each worksheet.
- e) Various math checks within and between the individual worksheets are provided to ensure the statements tie out. Any “TRY AGAIN” errors MUST be resolved prior to submission. If you believe all amounts have been properly entered and you are still receiving a “TRY AGAIN” error, contact Pauline Lieu of the Financial Reporting Team in the Office of the Comptroller at (617) 973-2668 for assistance.
- f) Amounts combined in a single line item for report presentation purposes in the Commonwealth’s ACFR are broken down on the tab CU2. For example, the accounts payable line is detailed to show the amounts which comprise this total using the most common account classifications from prior years. Additional line items have been added for any new items which were not reported previously, these lines are labeled (INSERT DESCRIPTION).
- g) Contact those staff listed in the **Summary** section of page 1 if additional guidance is required.
- h) If a template amount has a footnote number reference, the corresponding spreadsheet tab must be completed.

NOTE: Please input all numbers in thousands (000’s), rounding to the nearest thousand.

Due date

Friday October 15, 2021

Tab CU3 Liabilities - Instructions

Purpose

[GASBS No. 34](#), paragraph 31, requires assets and liabilities to be reported in relative liquidity order. It also requires that long-term liabilities be reported in two components – the amount due within one year and the amount due in more than one year. [GASBS No. 38](#), paragraph 10, requires details of debt service requirements to maturity, including principal and interest requirements to maturity, presented separately, for each of the five subsequent fiscal years and in five-year increments thereafter. Interest requirements for variable-rate debt should be determined using the rate in effect at the financial statement date and the terms by which interest rates change for variable-rate debt.

Applicable entities

This attachment is applicable to the authorities and any entities as identified directly by CTR (listed on pages 4-5) **if they have bonds or debt in the form of notes or certificates of participation.**

Submission requirements

NOTE: Please input all numbers in thousands (000's) rounding to the nearest thousand.

Section	Instructions
1	Provide the changes in long-term liabilities (if applicable) for the debt below: <ul style="list-style-type: none"> • Bonds payable* • Notes payable* • Compensated absences • Revenue anticipation notes • Net pension liability • Net OPEB liability • Other *The entity must give further detail in the subsequent sections.
2	If the entity has bonds payable provide the following: <ul style="list-style-type: none"> • Future principal and interest payments • Whether the agency has defeased any debt on or before June 30, 2021, and if so, how much • The lowest and highest rate of interest for the various issues of bonds payable outstanding • The oldest and newest issue date for the bonds payable outstanding • The amount of bonds payable that is considered moral obligation debt
3	If the authority has notes payable, provide the principal and interest payments
4	If there are any revenue anticipation note activity throughout the year, even if there is not an outstanding balance as of June 30, 2021, provide the changes in the current year activity.
5	Provide details on any other long term liabilities

Due date Friday October 15, 2021

TAB Certification and TAB Revision Control Log

The Tab **Certification** requires the preparer and reviewer to type their names on this form. It is located at the end of the Checklist. Please note that there should be a segregation of duties; therefore, the preparer and the reviewer should not be the same individual. By typing a name, the individual is certifying that this attachment has been reviewed, the information is both complete and accurate, and the preparer and reviewer were not the same.

If attachment revisions are made subsequent to CTR's acknowledgement of receipt and acceptance of the original attachment submission, **resubmit the revised attachment AND complete the Revision Control Log tab in the attachment excel file.**

Enter the revision date, row number and column letter revised, and the previous and revised information. Please document text and numerical changes. Only enter changes for amounts actually keyed. For example, if a non-keyed, calculated total changes as a result of the revision, this does not need to be documented on the Revision Control Log.

If the attachment is revised more than once, do not delete control log revision information from the previous revision. Enter the new revision date and the additional revisions in the rows following the initial revision rows. This log should document all revisions from the initial attachment submission.

Include "**REVISED – date**" in the **subject line** of the submission e-mail as well as in the **file name**. Resubmit the revised attachment and ensure that the **Revision Control Log** tab has been completed.

Each time a revision is submitted the **Certification** tab should be updated with new signatures and dates.