

# Comptroller Advisory Board Meeting

April 5, 2022



OFFICE OF THE COMPTROLLER  
COMMONWEALTH OF MASSACHUSETTS



# Comptroller Advisory Board

## Statutory Members

- ★ **Michael Heffernan**, Secretary of Administration and Finance (Chair)
- ★ **Suzanne M. Bump**, State Auditor
- ★ **Deborah Goldberg**, Treasurer
- ★ **Maura Healey**, Attorney General
- ★ **John Bello**, Court Administrator of Massachusetts Trial Court

## Appointed Members

- ★ **Michael Esmond**, Chief Fiscal Officer of Massachusetts Convention Center Authority
- ★ **Natalie Monroe**, First Assistant Inspector General

# Agenda

- I. Call to order; authorization for remote meeting**  
Catharine Hornby, Undersecretary, Executive Office for Administration and Finance
- II. Review and approval of the November 18, 2021 Comptroller Advisory Board Meeting Minutes**  
Catharine Hornby, Undersecretary, Executive Office for Administration and Finance
- III. Review of the Annual Comprehensive Financial Report**  
Pauline Lieu, Chief Financial Reporting Officer, Office of the Comptroller
- IV. CLA Report to the Board**  
Chris Rogers, Managing Principal of Industry, CLA
- V. Items not reasonably anticipated by the Chair**  
Catharine Hornby, Undersecretary, Executive Office for Administration and Finance
- VI. Next meeting**  
Catharine Hornby, Undersecretary, Executive Office for Administration and Finance

# Meeting Information

- ★ Due to the outbreak of the 2019 novel coronavirus (“COVID-19”), the Governor issued an Executive Order on March 10, 2020 that, among other things, allowed all members of public bodies to participate in deliberations remotely. Thus, the requirement that a quorum of the Advisory Board be physically present at a meeting was suspended. On February 12, 2022, these remote meeting provisions were extended by Chapter 22 of the Acts of 2022 until July 15, 2022.
- ★ Accordingly, this meeting will be held using Zoom and may be accessed by the public as either a video conference or as a telephone conference call using the following contact information:

**Date and Time:** April 5, 2022 at 1:00 P.M. via Zoom

**Location:** (website: [www.zoom.us](http://www.zoom.us))

**Meeting ID:** 870 5583 8391

**Passcode:** 204816

**Link:** <https://macomptroller.zoom.us/j/87055838391?pwd=OGdiSFRYYUpMejJvNzRpTGk0MUNyZz09>

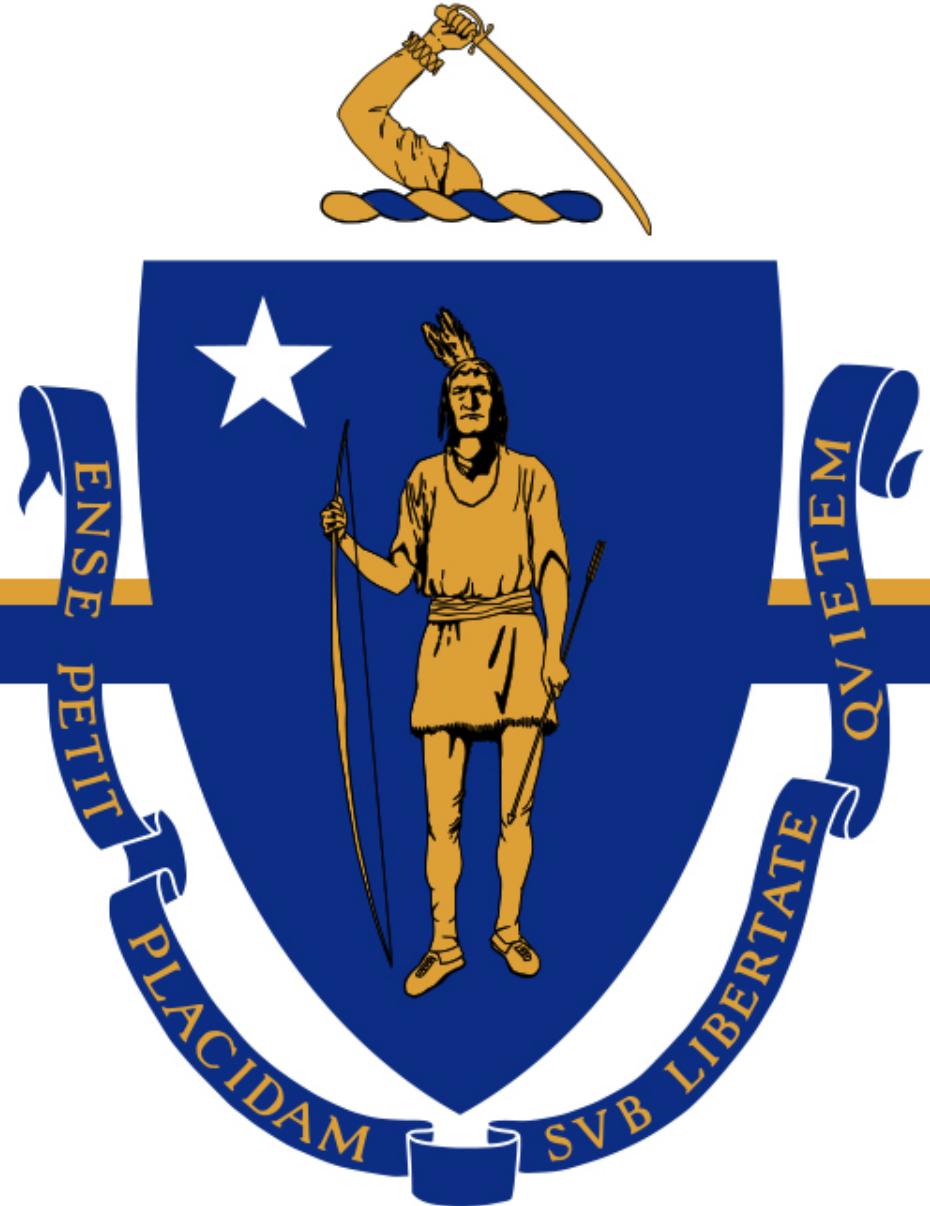
**Dial-in:** 301-715-8592 (alternative to online)

# Review and approval of the November 18, 2021 Comptroller Advisory Board Meeting Minutes

Catharine Hornby  
Undersecretary  
Executive Office for Administration and Finance



OFFICE OF THE COMPTROLLER  
COMMONWEALTH OF MASSACHUSETTS

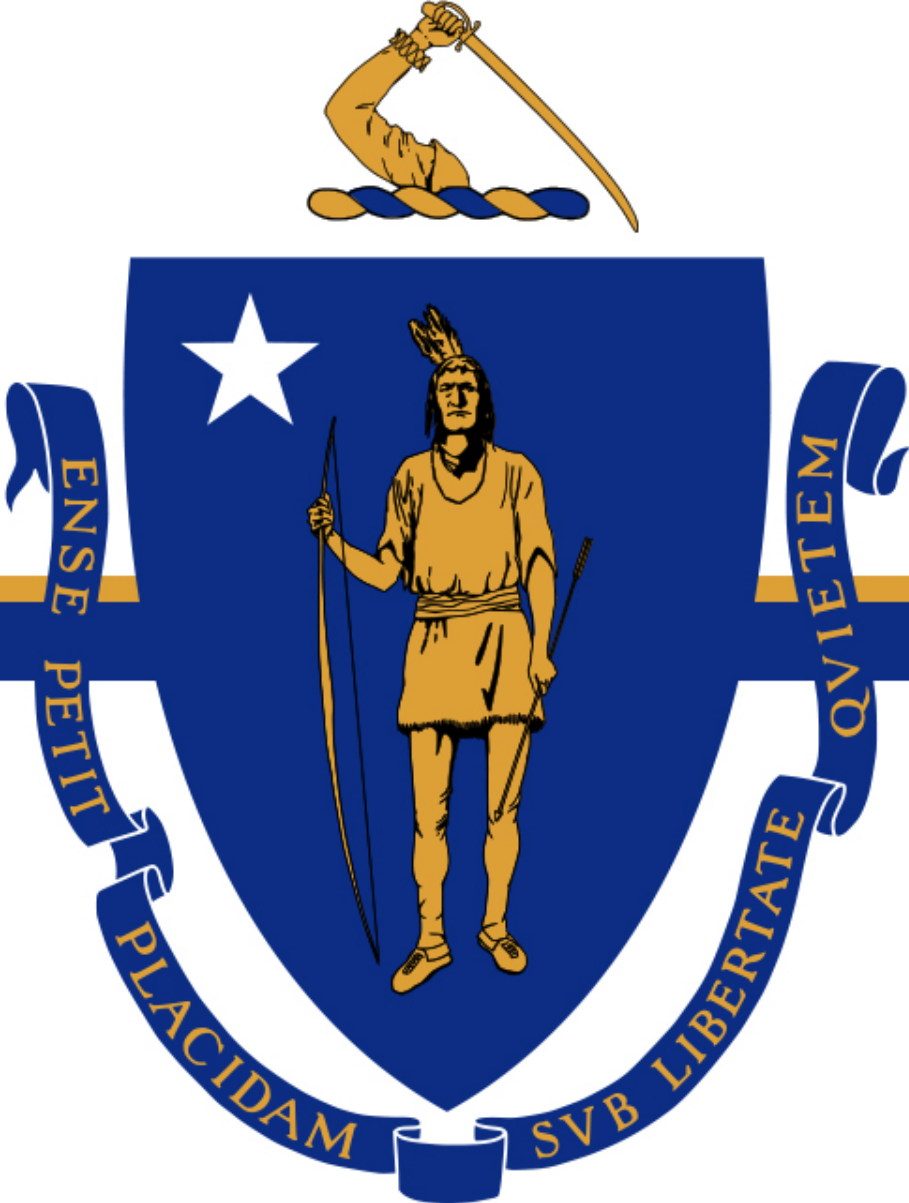


# FY2021 Annual Comprehensive Financial Report (ACFR)

Pauline Lieu, Chief Financial Reporting Officer  
Howard Merkowitz



OFFICE OF THE COMPTROLLER  
COMMONWEALTH OF MASSACHUSETTS



# Fiscal Year 2021 Annual Comprehensive Financial Report

- ★ The SBFR was issued on November 19, 2021 and was reviewed, not audited, by CliftonLarsenAllen (CLA).
- ★ The SBFR is presented on a budgetary or statutory basis – cash receipts and expenditures, including two months accounts payable and receivable period; excludes trust funds and most activity of so-called business-type activities such as unemployment insurance and the Institutions of Higher Education
- ★ The SBFR excludes “component units” such as the Massachusetts School Building Authority (MSBA), some of the Massachusetts Department of Transportation(MassDOT) including the MBTA and RTAs, and the Massachusetts Development Finance Agency (MassDevelopment)
- ★ The SBFR determines whether the budget is balanced according to state finance law and includes the calculation of the “consolidated net surplus” and the end of year transfer to the Stabilization Fund, if any

# Fiscal Year 2021 Annual Comprehensive Financial Report

- ★ We expect the FY2021 Annual Comprehensive Financial Report to be issued within the next few weeks and will be submitted to the Government Finance Officers' Association (GFOA) for review as part of the Certificate of Achievement for Excellence in Financial Reporting Program. The FY2020 Annual Comprehensive Financial Report represented the 31st consecutive year that the Annual Comprehensive Financial Report was awarded the certificate.
- ★ The basic financial statements are presented on two bases of accounting; 1) fund perspective; and 2) government-wide perspective.

## **Fund Perspective**

- ★ Similar focus to the SBFR in terms of fund coverage, but also includes trust funds not covered in the SBFR, and the MSBA is incorporated into the statements as a blended component unit.
- ★ Purpose is to measure a government's ability to meet obligations from "currently available" resources (i.e., revenues including those to be received soon after the close of the fiscal year)
- ★ Uses a "modified accrual" basis of accounting, in accordance with Generally Accepted Accounting Principles (GAAP) and takes into account short-term accruals. No long-term accruals for debt or capital assets, depreciation, or adjustment for pension or OPEB liabilities



# Fiscal Year 2021 Annual Comprehensive Financial Report

## Government-Wide Perspective

- ★ Treats government according to accounting rules similar to private business
- ★ Includes business-type activities such as Unemployment Insurance, the Paid Family and Medical Leave (PFML) and the Institutions of Higher Education within the Commonwealth's net position (formerly net assets)
- ★ Full accrual accounting for long-term assets and liabilities, including long-term debt, pensions, OPEB, capital assets, and compensated absences
- ★ Includes, by discrete presentation, so-called "component units" such as MassDOT, Health Insurance Connector, and the Massachusetts Clean Water Trust, all of which have a close relationship to the Commonwealth

# Fiscal Year 2021 Annual Comprehensive Financial Report

- ★ GASB Statement Nos. 68 and 75, implemented in FY2015 and FY2018, respectively, changed the requirements for reporting pension and OPEB liabilities for governmental entities. These Statements, No. 68 for pension and No. 75 for OPEB, require the presentation of the net pension and net OPEB liability on the government-wide Statement of Net Position.
- ★ For reporting purposes GASB allows for these liabilities to be presented using a measurement date that is a year prior to the fiscal year end date. For FY2021, these liabilities are measured as of June 30, 2020.
- ★ For FY2021, the Commonwealth's net pension liability on a government-wide basis (including business-type activities) was approximately \$38.708 billion (net of deferrals) and the net OPEB liability was approximately \$19.356 billion (net of deferrals)

# Fiscal Year 2021 Annual Comprehensive Financial Report

## Governmental Funds (Fund Perspective – Modified Accrual Basis)

Fiscal Year Ended June 30, 2021  
(in millions of dollars)

	General	Lotteries	Mass School Building Authority	Corona- virus Relief	Other Govern- mental Funds	Total	FY2020
Total revenues	\$ 49,239	\$ 5,824	\$ 1,079	\$ 1,309	\$ 13,926	\$ 71,377	\$ 61,556
Total other financing sources	2,068	0	1,928	0	9,343	13,339	10,951
<b>Total revenues &amp; other financing sources</b>	<b>51,307</b>	<b>5,824</b>	<b>3,007</b>	<b>1,309</b>	<b>23,269</b>	<b>84,716</b>	<b>72,507</b>
Total expenditures	43,913	4,717	1,370	1,308	18,948	70,256	62,895
Total other financing uses	3,581	1,208	1,571	1	4,195	10,555	9,721
<b>Total expenditures &amp; other financing uses</b>	<b>47,494</b>	<b>5,925</b>	<b>2,941</b>	<b>1,309</b>	<b>23,143</b>	<b>80,811</b>	<b>72,616</b>
Net change in fund balances/(deficits)	3,813	(101)	66	—	126	3,905	(109)
Fund balances at beginning of year	5,930	857	1,717	—	1,409	9,913	9,166
<b>Fund balances at end of year</b>	<b>\$ 9,743</b>	<b>\$ 756</b>	<b>\$ 1,783</b>	<b>\$ —</b>	<b>\$ 1,535</b>	<b>\$ 13,818</b>	<b>\$ 9,058</b>

# Fiscal Year 2021 Annual Comprehensive Financial Report

## (Government-Wide) Changes in Net Position during the Fiscal Years Ended June 30, 2021 and 2020 (in millions of dollars)

	Total Primary Government			
	June 30, 2021	June 30, 2020	\$ Change, FY2020-2021	% Change, FY2020-2021
<b>Revenues</b>				
<u>Program Revenues:</u>				
Charges for services	\$ 17,474	\$ 16,462	\$ 1,012	6.1 %
Operating grants and contributions	41,131	27,913	13,218	47.4 %
Capital grants and contributions	252	224	28	12.5 %
<u>General Revenues</u>				
Taxes	34,947	30,482	4,465	14.6 %
Other	1,071	1,503	(432)	(28.7) %
<b>Total Revenues</b>	<b>94,875</b>	<b>76,583</b>	<b>18,292</b>	<b>23.9 %</b>
<b>Expenses</b>				
Medicaid	20,208	19,207	1,001	5.2 %
Direct local aid	6,499	6,390	109	1.7 %
Health and human services	11,658	9,645	2,013	20.9 %
Lottery	4,749	4,307	442	10.3 %
Higher education	5,370	5,484	(114)	(2.1) %
Early elementary and secondary education	7,688	6,618	1,070	16.2 %
Unemployment compensation	19,863	11,948	7,915	66.2 %
Family and employment security trust	195	5	190	3800.0 %
Other	19,465	16,998	2,467	14.5 %
<b>Total Expenses</b>	<b>95,695</b>	<b>80,603</b>	<b>15,092</b>	<b>18.7 %</b>
<b>Excess/(Deficiency)</b>				
Change in net position (deficits)	(820)	(4,020)	3,200	(79.6) %
Net position/(deficits) - beginning	(73,000)	(68,981)	(4,019)	(5.8) %
Net position/(deficits) - ending	\$ (73,819)	\$ (73,000)	\$ (819)	(1.1) %

# Fiscal Year 2021 Annual Comprehensive Financial Report

## Assets Owned by MassDOT and Higher Education But Largely Financed by the Commonwealth

Statement of Net Position, June 30, 2021

(Amounts in millions of dollars)

	<b><i>Primary Government</i></b>			
	Governmental Activities	Business-Type Activities	Government-Wide Total	Component Units
Net investment in capital assets	\$ (1,658)	\$ 3,861	\$ 2,203	\$ 34,512
Restricted for Unemployment Insurance, Debt, Capital and Higher Education	1,492	1,931	3,423	4,693
Unrestricted (deficits)	(78,890)	(555)	(79,445)	(3,844)
Total net position (deficits)	\$ (79,056)	\$ 5,237	\$ (73,819)	\$ 35,361

# Fiscal Year 2021 Annual Comprehensive Financial Report

## Major Reasons for Government-Wide Net Deficit in FY2021 Annual Comprehensive Financial Report (\$73.819 billion)

- ★ Unfunded pension liability \$38.708 billion, net of deferrals, or amounts to be recognized in future years
- ★ Underfunded retiree health benefits (OPEB) of \$19.356 billion, net of deferrals)
- ★ School Building Authority debt and grants payable of \$6.641 billion
- ★ Most of remainder is Commonwealth debt for road and bridge assets owned by MassDOT and for capital grants and expenditures for state authorities (e.g., Life Sciences Center) and cities and towns (e.g., Chapter 90 road and bridge grants, local housing authorities)

# Fiscal Year 2021 Annual Comprehensive Financial Report

The GASB has issued the following Standards which have been or will be implemented in the following fiscal years:

- ★ Statement No. 87, Leases. This is effective for FY2022 and changes accounting and financial reporting requirements for leases. The Statement eliminates the concept of operating leases and instead accounts for all leases as capital financing arrangements. The Comptroller's Office is in the process of implementing this Standard.
- ★ Statement No. 93, Replacement of Interbank Offered Rates – Effective FY2021, with no significant impact on the financial statements
- ★ Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements – Effective FY2023
- ★ Statement No. 96, Subscription-Based Information Technology Arrangements –effective FY2023. The Comptroller's Office is in the process of gathering the information to implement this standard, which is similar to the GASB 87 Lease Accounting Standard.
- ★ Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans –an amendment of GASB Statements No. 14 and No. 84 and a supersession of GASB Statement No. 32 – Effective FY2021, with no impact on financial statements.

# Fiscal Year 2021 Annual Comprehensive Financial Report

**Thank you!  
Questions?**

Pauline Lieu, Chief Financial Reporting Officer  
pauline.lieu@mass.gov  
617-973-2668

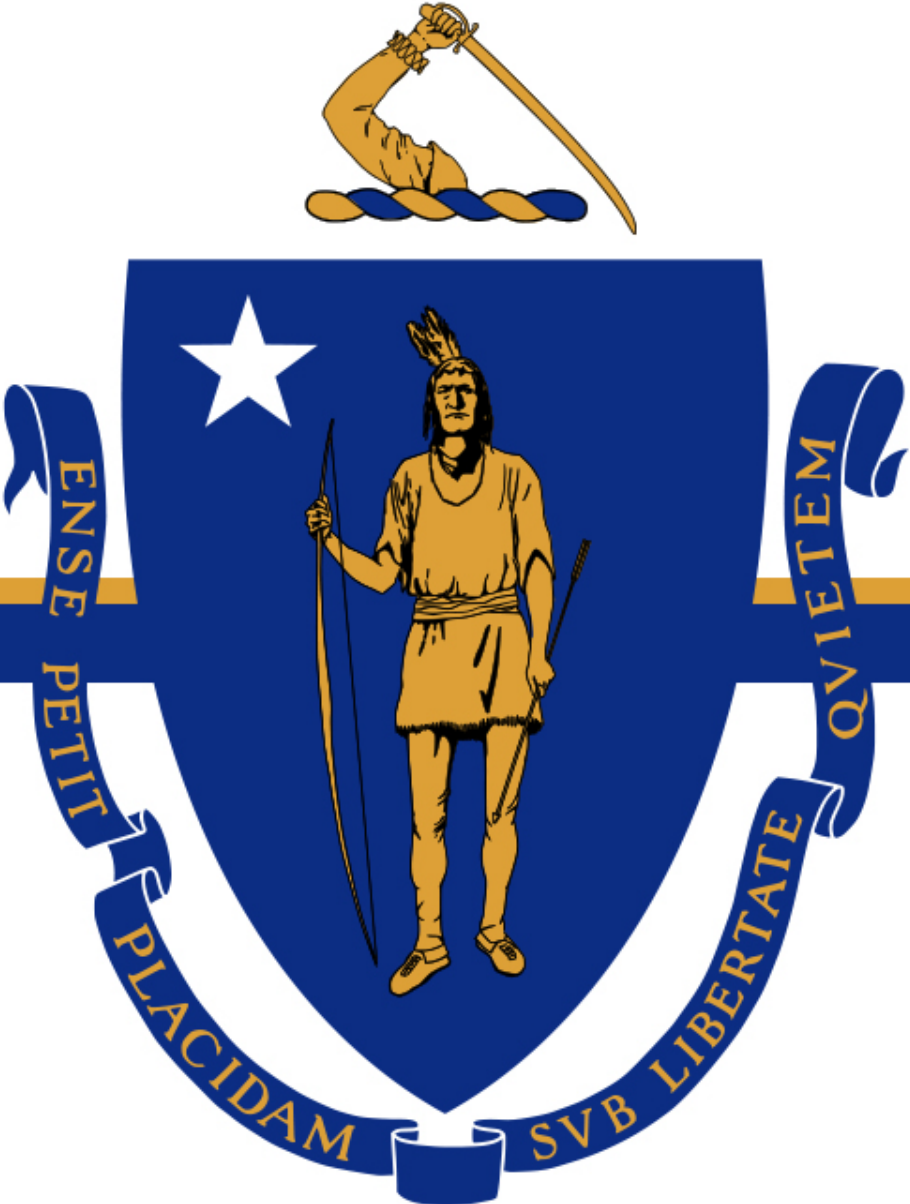


# CLA Report to the Board

Chris Rogers  
Managing Principal of Industry, CLA



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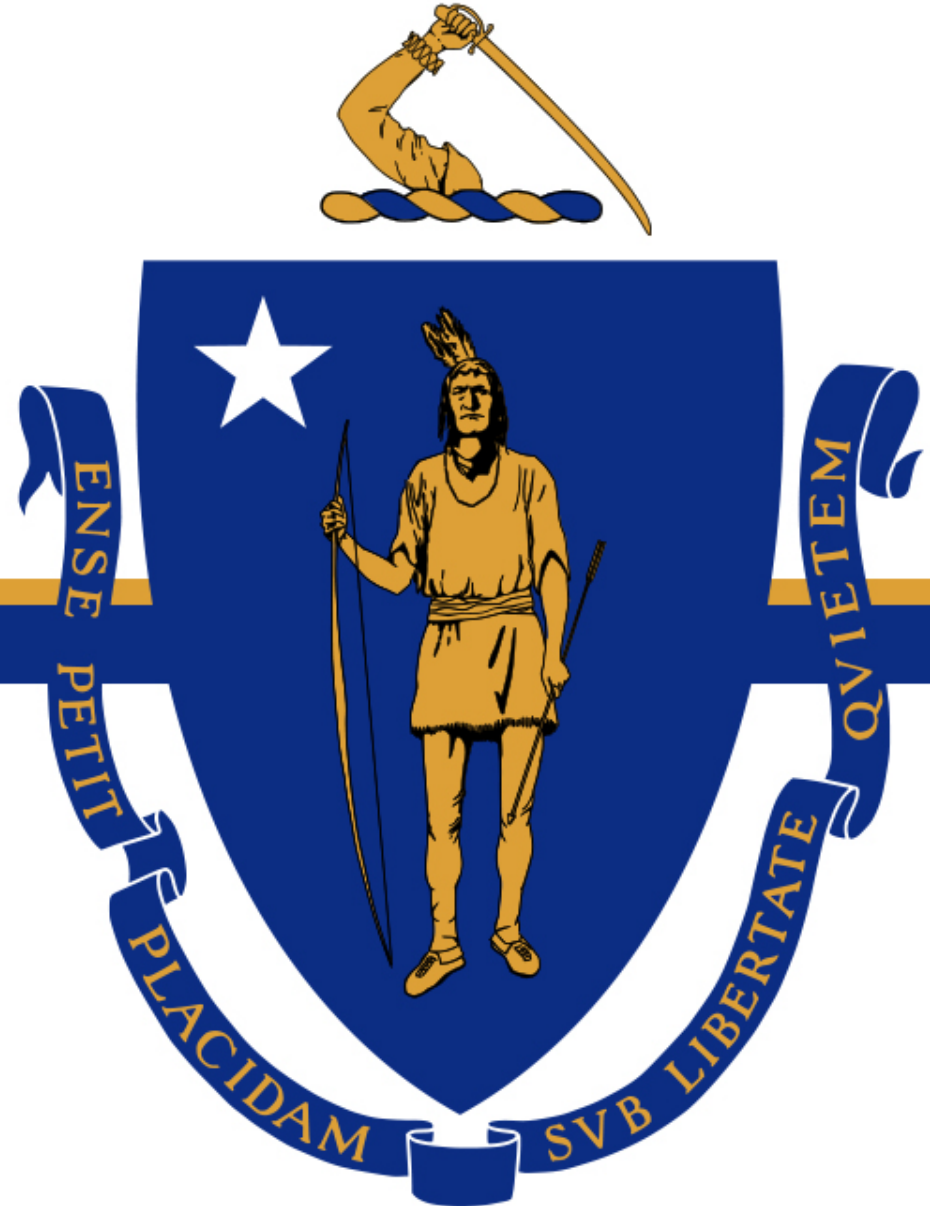


# Items not reasonably anticipated by the chair

Catharine Hornby  
Undersecretary  
Executive Office for Administration and Finance



OFFICE OF THE COMPTROLLER  
COMMONWEALTH OF MASSACHUSETTS



# Next meeting

Catharine Hornby  
Undersecretary  
Executive Office for Administration and Finance



OFFICE OF THE COMPTROLLER  
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