



WILLIAM McNAMARA  
COMPTROLLER

# Commonwealth of Massachusetts

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### MEMORANDUM

**To:** Higher Education Chief Fiscal Officers and GAAP Liaisons  
**From:** Howard Merkowitz, Deputy Comptroller  
**Date:** July 12, 2021  
**Subject:** Fiscal Year 2021 Higher Education Audit Guidance

Comptroller Memo FY#2021-26

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#### Executive Summary

The purpose of this memo is to advise the Institutions of Higher Education of the accounting and reporting guidance for Fiscal Year 2021.

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This guide complements the reporting requirements contained in Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis – for Public Colleges and Universities*, and Statement No. 39, *Determining Whether Certain Organizations Are Component Units* as amended. This guide reinforces policies on required documentation with regard to the preparation of the Commonwealth's Annual Comprehensive Financial Report (ACFR).

The guide contains the following attachments:

- [Instructions for completing the required attachments](#)
- [Attachment A “Independence Letter”](#)
- [Attachment B “Reconciliation of Financial Statements to MMARS”](#)

If you have any questions on the Guide or the attachments, please contact Pauline Lieu, Deputy Chief Financial Reporting Officer (617) 973-2668.

cc: MMARS Liaisons  
Payroll Directors  
General Counsels  
Internal Distribution

# Institutions of Higher Education Audit Guidance Fiscal Year 2021

## Executive Summary

This guide complements the Governmental Accounting Standards Board (GASB) Statement 35 Implementation Guide which is documented in various other policies and procedures. This guide relates to the preparation of the Commonwealth's Annual Comprehensive Financial Report (ACFR) for Fiscal Year 2021 (FY21).

## Notes for FY21 reporting:

1. Worksheets must be completed for FY21 audits and submitted on time. Please include all proper disclosures in the notes to the basic financial statements, as described on pages 12 – 13 of this guide. Financial statements are due by **October 15, 2021**.
2. All Institutions of Higher Education (HI-ED) attachments will be emailed, contemporaneously with the issuance of these instructions to the appropriate parties. All required submissions (HI-ED attachments and PDF financial statements) should be emailed to CTR at the dedicated email address: [hi-ed.fs.reporting@mass.gov](mailto:hi-ed.fs.reporting@mass.gov).
3. The report title and the Independent Auditors' Report MUST clearly indicate that your institution is an agency or department of the Commonwealth. Sample language in the Independent Auditors' Report is as follows:
  - We have audited the accompanying financial statements of the business-type activities and the discretely component unit of the Institution, (An Agency or Department) of the Commonwealth of Massachusetts as of and for the years ended June 30, 20xx and 20xx (if comparative data is presented).

Additionally, the Independent Auditors' Report may include the following departmental paragraph:

- Emphasis of Matter

The financial statements of the Institution are intended to present the financial position, the changes in financial position and cash flows that are attributable to the transactions of the Institution. They do not purport to, and do not, present fairly the financial position of the Commonwealth of Massachusetts as of June 30, 20XX and 20XX, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles

generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**The paragraph above further clarifies that the HI-ED is a department of the Commonwealth. Please discuss this language with your auditors.**

The Summary of Significant Accounting Policies presented in the notes to the financial statements may also present language indicating the institution is an agency or department of the Commonwealth of Massachusetts. Sample language is as follows:

- The Institution is a department (or agency) of the Commonwealth of Massachusetts.

4. Below are a few important reporting/presentation items to be aware of:
  - a) The three required statements, the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows are reported on separate tabs in the worksheet.
  - b) On each worksheet tab in HE-4, standard contact information is linked to the Statement of Net Position. Enter the information on the Statement of Net Position and all of the remaining worksheets will populate with the same information.
  - c) Each spreadsheet has your three letter department code which is used to populate prior year amounts for your reference. These are all linked to the Statement of Net Position, which has a dropdown box, in cell O1, for you to select your department code; all other spreadsheets are linked to this statement and will automatically update.
  - d) The Statement of Net Position and the Statement of Activities have separate presentations for the Institution and Foundation information. The Statement of Cash Flows only presents the Institution's information.
  - e) Formulas, prior year amounts, \$ and % variances are locked to prevent editing and are highlighted in   on each worksheet.
  - f) **Various math checks within and between the individual worksheets are provided to ensure the statements tie. 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 at [pauline.lieu@mass.gov](mailto:pauline.lieu@mass.gov) or Cathy Hunter at [cathy.hunter@mass.gov](mailto:cathy.hunter@mass.gov) of the Financial Reporting Team in the Office of the Comptroller for assistance.**

- g) Amounts combined in a single line item for report presentation purposes in the Commonwealth's ACFR are broken down on the individual worksheets in HE-4. For example, the current portion of workers' compensation is included in accounts payable amount. In the worksheets, on the Statement of Net Position tab, the accounts payable line is detailed to show the amounts that 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).
- h) The tab titled "Tab 2A GASB72" is used to assist in the preparation of the GASB 72, *Fair Value Measurement and Application* footnote. For your reference, prior year amounts and classifications have been provided to assist in the preparation of the FY21 schedule. A check total reconciles the total investments as reported on the Statement of Net Position to the footnote. Any differences must be either resolved or appropriately explained. An example of an acceptable reconciling item would be money market mutual funds classified as cash and cash equivalents on the Statement of Net Position, but presented as investments for GASB 72 purposes.

Colleges should consult with their auditors regarding the classification of investments for GASB 72 footnote purposes.

- i) Depreciation expense on the Statement of Cash Flows **MUST** tie to depreciation expense reported on the Statement of Revenues, Expenses and Changes in Net Position.
  - j) Environmental remediation liability is separated into long and short-term portions. If your institution has identified a polluted or contaminated site, you are required to calculate a remediation liability as of July 1, 2020 and June 30, 2021 based on probability and cost scenario. Please refer to the [GASB Statement # 49 - Implementation Guide](#) issued by CTR.
  - k) Fall enrollment data should be provided by the HI-ED.
5. Depreciation and amortization expenses should be presented separately on the **Statement of Revenues, Expenses and Changes in Net Position** and the **Statement of Cash Flows**; refer to page 6 of this guide.
  6. GASB 68 (pension) and GASB 75 (OPEB) requires all participating entities in a multiple employer cost-sharing defined benefit pension plan or OPEB plan, to record their proportionate share of the plan's Net Pension and Net OPEB liabilities along with the related deferrals and expenses (pension and OPEB). In addition, entities are required to make certain footnote and RSI disclosures. Individual allocations were

provided on April 9, 2021 for pension and April 16, 2021 for OPEB in the form of an audit report signed by KPMG with accompanying schedules that contains each institution's proportionate share of the liabilities, deferrals and expenses.

In mid-September, our office will also provide the FY21 fringe benefit amounts charged to each school for retirement and GIC charges, which each Institution will need to confirm and record as an additional deferred outflow of resources related to pension and OPEB.

**We HIGHLY encourage the institutions to consult with their independent auditors in implementing the standards noted above.**

### **Considerations**

GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units*, requires private foundations related to HI-ED and other related entities (hereafter referred to as "Component Units") of the HI-ED to be reported in the audited financial statements of the Institutions. **To facilitate this reporting, these entities' audited financial statements are recommended to be submitted on a timely basis to the Institution, (typically one month prior to October 15, 2021, the due date for the HI-ED's completed audited financial statements to be received at the Office of the Comptroller (CTR)). Completed audits are defined as audits in final form, represented to CTR as ready for acceptance by or accepted by the Board of Trustees of the Institution.**

### **OTHER FY21 GUIDANCE**

#### ***Reporting Requirements***

CTR prepares the ACFR annually. Governmental reporting standards require all HI-ED financial statements be included as part of the Higher Education presentation. Due to the tight timetable for completing the ACFR, a pdf draft copy of your financial statements should be made available once completed and emailed to [hi-ed.fs.reporting@mass.gov](mailto:hi-ed.fs.reporting@mass.gov).

The final audited financial statements, along with Attachment HE-4 are due **October 15, 2021**. Please send a pdf copy to [hi-ed.fs.reporting@mass.gov](mailto:hi-ed.fs.reporting@mass.gov); **hard copy reports are not necessary**.

#### ***Independence Letter***

The audited financial statements for all Institution's must be transmitted to CTR with an ***Independence Letter (Attachment A)***. It is necessary for your auditors to confirm their independence directly to the Commonwealth's Independent Auditors (currently CliftonLarsonAllen, LLP (CLA)) in regard to your financial statements. This requirement is **MANDATORY** and any lack of response may result in a modification of the Commonwealth's ACFR audit opinion. As the Foundations of the Institution are also audited, these component units must also transmit their audits to the HI-ED's auditor containing a similar letter. The letter which the Institutions need to transmit to CLA (and the component units need to transmit to the Institutions) can be found at the end of this document (see Attachment A). **The audit firm's most recent peer review report must also accompany each independence letter, which MUST be sent directly to CLA and email a copy to Cathy Hunter at [hi-ed.fs.reporting@mass.gov](mailto:hi-ed.fs.reporting@mass.gov).**

### ***Audit Opinion***

The audit opinion for all years will reference the work of the auditor of the HI-ED and the level of reliance on that work. Finally, the audit opinion must reference *Government Auditing Standards*.

**Any modification or potential modification of the HI-ED's audit opinion must be communicated to CTR in a timely manner as we will need to assess the impact on the Commonwealth's financial statements and the audit opinion.**

The financial statements should include all of the HI-ED's activities, which include all appropriated and non-appropriated activity and any component unit(s) of the HI-ED, as measured and reported in conformity with Generally Accepted Accounting Principles (GAAP).

### **Additional Guidance for Reporting**

For Institutions receiving federal funding:

- Reporting requirements state that entities receiving federal funding must be audited in accordance with Generally Accepted Governmental Auditing Standards (GAGAS). The audit opinion of these entities should read:

“We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States.”
- Institutions included in the Commonwealth's ACFR are responsible for engaging auditors to conduct an audit in accordance with the Uniform Guidance as well as the financial statement audit. Each HI-ED is also responsible for filing the

Uniform Guidance reports – both with the Federal Audit Clearinghouse (with the assistance of your auditor) and the [Federal Student Aid eZ Audit web site](#).

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The following items **must be excluded** from the HI-ED's financial statements:

- For State Universities, the Massachusetts State College Building Authority (MSCBA) should be excluded from an individual Institution's financial statements. The MSCBA is included in the Commonwealth's ACFR as a blended component unit, in the business-type activities financial statements. However, individual university financial statements should reflect payments to the MSCBA in the appropriate expenditure category. In some cases, this may be reported in auxiliary enterprises. Please review this with your auditor.
- Employee deferred compensation plan assets will be carried by the Commonwealth as an Expendable Trust fund item. Individual Institutions should not carry the assets on their financial statements.

The following items **must be included** in the Institution's financial statements (reported on HE-4):

- **Accounts payable** – the portion of this liability to be paid from state appropriations should be offset by an asset labeled "Cash held by Treasurer" which, for reporting purposes, is combined in the cash and cash equivalents line on the Statement of Net Position.
- **Compensated absences** – the HI-ED must accrue the vacation and sick leave buyback liability related to all employees, i.e., employees paid from appropriated and non-appropriated funds without regard to the future funding mechanism. This liability should be calculated in accordance with [GASB Statement No. 16, \*Accounting for Compensated Absences\*](#), and displayed consistent with the guidance in [GASB Statement No. 35, \*Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities\*](#).

HR/CMS includes all HI-ED and is the official record of the Commonwealth with regard to payroll. Compensated absences are reported from this system on the report HMBEN008 on MobiusView. Please note that the lines in the liability section of the Statement of Net Position for compensated absences should show compensated absences only and agree to the amounts in the long-term liabilities footnote for compensated absences. The current liabilities amount should agree to the current portion and the noncurrent liabilities amount should agree to the long-term portion in the footnote. These lines should **NOT** include workers' compensation.



- **Fringe benefit expenditures** – the HI-ED must record expenditures for the cost of fringe benefits. For employees paid from non-appropriated funds, fringe benefits have already been charged against these funds at the approved fringe benefit rate.
- **Liability for workers' compensation** – the HI-ED must record this amount, which is derived from reports prepared based on information available from the Human Resources Division. This information (based on an Actuarial Report) is disseminated to Institutions in early September by CTR. Please note, there should be separate lines in the liability section of the Statement of Net Position for accrued workers' compensation and they should agree to the amounts in the long-term liabilities footnote for workers' compensation. The current portion, which is reported as part of accounts payable on the Statement of Net Position tab, should agree to the current portion and the non-current portion should agree to the long-term portion in the footnote.
- **Depreciation and amortization** – the HI-ED must report these activities as two separate amounts on the Statement of Revenues, Expenses and Changes in Net Position. Depreciation expense is reported on line 66; amortization expense is reported separately, on line 57, as a component of other operating expenses. In the Statement of Cash Flows, depreciation and amortization expense must also be reported separately. Line 78 reports the depreciation expense and line 94 reports the amortization expense as part of other liabilities.

### ***Footnote Disclosures from Your Component Units***

[GASB Statement No. 34, \*Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments\*](#) and Statement No. 14, as amended by Statements No. 39, 61, and 80 require that an overview of the Institution should distinguish between the HI-ED and the component unit(s). For each major component unit, the nature and amount of significant transactions with the HI-ED should be disclosed, along with any other transactions between component units.

### ***Capital Lease/Capital Expenditure Guidance***

**Reference:** The following reference is available from the GASB codification:

L20.151 – Capital lease arrangements between the primary government and public authorities reported as discretely presented component units (or between those component units) should be treated in the same manner as any other lease agreement of a state or local government. These agreements, therefore, should be considered long-term contracts for accounting and financial reporting purposes and afforded capital lease treatment if they meet the criteria of this section. However, related receivables and payables should not be combined with other amounts due



to/from component units or with capital lease receivables and payables with organizations outside the reporting entity. [NCGAS 5, ¶24, as amended by GASBS 34, ¶61 and GASBS 62, ¶211–¶271; GASBS 14, ¶58]

[GASB Statement No. 62](#) ¶ 217, provides further:

Except as provided in paragraphs 233 and 234 with respect to leases involving land, the asset recorded under a capital lease should be amortized as follows:

- a. If the lease meets the criterion of either paragraph 213a or 213b, the asset should be amortized in a manner consistent with the lessee’s normal depreciation policy for owned assets.
- b. If the lease does not meet either criterion of either paragraph 213a or 213b, the asset should be amortized in a manner consistent with the lessee’s normal depreciation policy except that the period of amortization should be the lease term. The asset should be amortized to its expected value, if any, to the lessee at the end of the lease term. As an example, if the lessee guarantees a residual value at the end of the lease term and has no interest in any excess which might be realized, the expected value of the leased property to the lessee is the amount that can be realized from it up to the amount of the guarantee.

**Conclusion:** Based on the references above, if a lease is a capital lease, the expenditures, if material, should be treated as capital expenditures and depreciated accordingly over the term of lease or life of the improvement, whichever is shorter. If it is an operating lease, the costs should be expensed (see Comptroller’s [Capital Assets Acquisition Policy](#) for guidance).

Also, for reporting of the lease arrangement between the primary government (the HI-ED) and its component unit (the Foundation), the capital lease payable amount has to be reported separately from other lease payables to outside parties (GASB Q&A 4.37.1).

### *Applicable GASB Standards*

The financial statements must be prepared in accordance with GAAP as promulgated by GASB. All relevant standards must be followed.

The following GASB Statement is required to be implemented during FY21:

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

***The HI-EDs and their related Foundations are STRONGLY urged to consult with your auditors regarding the implementation of this Statement and its effect on your financial statements.***

The following standards have been issued as of the date of posting and will be implemented in the following fiscal years:

Statement	Title	FY of Implementation*
<a href="#"><u>87</u></a>	<a href="#"><u>Leases</u></a>	2022
<a href="#"><u>89</u></a>	<a href="#"><u>Accounting For Interest Cost Incurred Before the End of a Construction Period</u></a>	2022
<a href="#"><u>90</u></a>	<a href="#"><u>Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61</u></a>	2022
<a href="#"><u>91</u></a>	<a href="#"><u>Conduit Debt Obligations</u></a>	2023
<a href="#"><u>92</u></a>	<a href="#"><u>Omnibus 2020</u></a>	2022
<a href="#"><u>93</u></a>	<a href="#"><u>Replacement of Interbank Offered Rates</u></a> , paragraphs 11b, 13 and 14	2022
<a href="#"><u>94</u></a>	<a href="#"><u>Public-Private and Public-Public Partnerships and Availability Payment Arrangements</u></a>	2023
<a href="#"><u>96</u></a>	<a href="#"><u>Subscription-Based Information Technology Arrangements</u></a>	2023
<a href="#"><u>97</u></a>	<a href="#"><u>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</u></a>	2022

\* - the dates of implementation have been updated to reflect the impact of [GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance](#)

## **OTHER GUIDANCE**

### **Receivable Recognition and Reconciliation**

For detailed guidance, please refer to the Comptroller’s policy on [Receivable Reporting](#).

### **Summary Receivable Reporting**

Departments with approved, delegated billing and accounts receivable systems are required to utilize the Massachusetts Management Accounting and Reporting System (MMARS) to maintain one summary receivable that accurately represents the net value of the earned revenue/accounts receivable by revenue source code, across fiscal years. Departments are required to maintain their approved delegated accounts receivable systems at a sufficient level of detail to verify the accuracy of summary reporting.

## **Mid-Year Summary Aging Receivable Report**

Departments are required to prepare and transmit a mid-year Summary Aging Receivable Report which details the age of all receivables contained in the MMARS summary receivable by revenue source code. This report will be utilized by CTR's Non-Tax Revenue Team for its semi-annual reporting activity and to ensure that departments are maintaining their internal revenue/receivable recording and accounting systems at the required level of detail.

## **Reconciliation of the Institution's Financial Statements to the MMARS Appropriated Fund Activity**

In order to prepare the HI-EDs' audited financial statements, the Institutions must combine internal activity (non-appropriated Fund 0900, Fund 0901 and Fund 0902) with the activity posted to MMARS (appropriated) and controlled by CTR. CTR then compiles all audited financial statements for the ACFR. An important part of this process is to have the same activity reported consistently between HI-ED. The HI-EDs are not separate legal entities and are presented as enterprise funds/business-type activities on an aggregate basis by system in the Commonwealth's ACFR.

Refer to **Attachment B** *Reconciliation of Financial Statements to MMARS*. The Commonwealth will present the HI-ED's State Appropriations as follows:

- Expenditures from net state appropriations and other state appropriated revenue will be reclassified to transfers out of the governmental funds and will be shown as a transfer in to the Institution's fund.

Institution financial statements should present tuition revenue and state appropriations in total.

Note 1: For the fiscal year, review the BQ82 and 89 screens in MMARS, which lists your Institution's revenues and expenditures. You should cross-reference MMARS data with your on campus data and you should trace the revenue/expenditures into your accounting records. Define where these revenues and expenditures are recorded (see Attachment B).

Note 2: [Section 15C of Chapter 15A of the Massachusetts General Laws](#) requires Commonwealth Institutions to report the activity of campus based funds to the Comptroller of the Commonwealth on the Commonwealth's Statewide Accounting System, MMARS.

**All HI-EDs should include this information as a footnote disclosure, so the Commonwealth can make the necessary adjustments on its financial statements.**

## **Capital Assets on MMARS**

The HI-ED must have an auditable capital asset system available for inspection by your own independent auditors, the State Auditor's Office and/or CTR. At a minimum, the system must track additions, betterments, changes and disposals, with gains and losses thereon. Institutions must follow other guidance related to capital assets issued by CTR.

Via the independent audits and the related footnote disclosure, Institutions are representing that they comply with these practices (see Comptroller's website [Capital Assets - Acquisition Policy](#) for guidance).

### **Instructions for facilities to be constructed by, or in conjunction with, the Division of Capital Asset Management and Maintenance (DCAMM)**

Long-term construction in progress (CIP) will be audited at the Commonwealth, however if DCAMM constructs a project on your entity's behalf, the CIP should be reported on your entity's financial statements.

- *Institution Projects where DCAMM delegates Authority:*  
If an Institution is delegated authority by DCAMM to construct a project, DCAMM and the Executive Office for Administration and Finance (A&F) will create a major program and appropriations on MMARS for this construction for the purpose of controlling allotments and spending. However, the setup of this program will not create a capital asset in MMARS. It is up to the Institution to record this CIP activity as it is spending these funds. The audit of this activity will also be done at the Institution level.
- *Projects greater than \$1 Million:*  
If an Institution is approved for a project that is GREATER than \$1 million, DCAMM and A&F will create a major program in MMARS.

Annually, on or about July 31<sup>st</sup>, DCAMM will certify to each Institution the amount of CIP by project to help facilitate the audit of CIP. Upon completion of the project, DCAMM will send a final certification letter to the Institution, which will include a "use and occupancy" date. This date should be used by the Institutions as the in-service date of the asset. The asset will now be considered depreciable.

Depreciation expense and amortization expense are reported separately on the Statement of Revenues, Expenses tab of Attachment HE-4, as follows:

- Depreciation expense is recorded on line 66
- Amortization expense is recorded as part of other operating expenses, on line 57

The amount recorded as depreciation expense MUST agree to the current year depreciation expense as reported in your capital asset footnote.

Depreciation expense and amortization expense MUST be reported separately on the Statement of Cash Flows in the “Reconciliation of net operating revenues/ (expenses) to net cash provided/ (used) by operating activities” section on lines 78 - depreciation expense and line 94 - as a component of other liabilities.

### **Impairment of Capital or Other Assets and Insurance Recoveries**

In accordance with [GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries](#), the Commonwealth is required to evaluate prominent events or changes in circumstances affecting capital or other assets to determine whether impairment has occurred.

In the case of theft, fire, flood, obsolescence or another event regarding the usefulness of an asset, be it capital or non-capital, departments need to evaluate the usefulness or availability of that asset in the future. This may require outside assistance from an appraiser and/or CTR to determine significance and applicability. Impairment must be conspicuous – e.g., known to the Commonwealth that a material event has occurred.

All impaired assets if significant (greater than \$100,000 in value) need to be reported to Financial Reporting in CTR within seven (7) days of event occurrence. For all unaccounted variances, losses, shortages or thefts of funds or property, the rules established under [Chapter 647 of the Acts of 1989](#) apply. CTR’s Financial Reporting Team will work with you to determine if impairment exists and if there is an event that needs to be recorded in MMARS.

### **Other Footnote Disclosure Requirements of an Institution of Higher Education**

Please remember that the financial statements must, at a minimum, include the following footnote disclosures:

- Summary of Significant Accounting Policies

With respect to the Foundations (component units of the HI-ED), the Summary of Significant Accounting Policies should include:

- A description of the component unit
- The relationship between the component unit and the HI-ED
- The criteria for inclusion of the component unit in the financial statements of the HI-ED

- How the separately audited financial statements may be obtained. This is a general reference to the Chief Financial Officer of the HI-ED.

If there are different fiscal year ends for the component unit and the HI-ED, a reconciliation of significant transactions between the component unit and the HI-ED needs to be included for the period between the component unit's year-end and June 30<sup>th</sup>.

Other footnotes for the HI-ED should include:

- Cash, cash equivalents and investments, including GASB72, *Fair Value Measurement Disclosures*
- Receivables
- Capital assets
- Advance refunding and short and long term debt
- Leases
- [GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Liabilities](#)
- [GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets](#)
- [GASB Statement No. 52, Land and Other Real Estate Held as Investments by Endowments](#)
- [GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments](#)
- [GASB Statement No. 59, Financial Instruments Omnibus](#)
- [GASB Statement No. 68, Accounting and Financial Reporting for Pensions](#)
- [GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Other Than Pensions](#)
- MMARS Reconciliation (see above)
- Related party disclosures
- Subsequent events
- Commitments and contingencies - this should include lawsuits pending against the HI-ED and a disclosure of each lawsuit's possibility of success categorized as probable or reasonably possible. Lawsuits categorized as remote can be ignored. The estimated costs of lawsuits deemed probable must be accrued as a liability.

NOTE: Only an approved Special Assistant Attorney General (from AGO) can represent the Institution in litigation. All litigation or potential litigation matters must be noted in the annual legal letter from the AGO.

- MassDevelopment Agreements  
Agreements within MassDevelopment will be treated as a lease purchase of capital assets. In other words, the asset and the liability for the payment should be recorded as a capital asset and a capital lease payable. Fees pledged to support principal and interest payments should also be recorded.

**Information Sources:**

- Legal Authority:
  - [M.G.L. C.7A](#)
  - [M.G.L. C.29](#)
  - [U.S. Government Accountability Office](#)
  - [Governmental Accounting Standards Board Statements](#)
  - [Audit Standards Board Statements on Auditing Standards](#)
  
- Attachments:
  - A: Audit Independence Letter
  - B: Draft Reconciliation of Financial Statements to MMARS
  
- Links:
  - Contacts – CTR Solution Desk (617) 973-2468 or [comptroller.info@state.ma.us](mailto:comptroller.info@state.ma.us)
  - [Comptroller Website](#)



**(FIRM LETTERHEAD)**

Date

CliftonLarsonAllen, LLP  
Attention: Jim Piotrowski  
131 Hartwell Avenue  
Suite 300  
Lexington, MA 02421-3105

Ladies and Gentlemen:

We have audited the financial statements of the *Sample Entity* as of and for the year ended *[insert period of the financial statements covered by the audit report]*, and you have asked us to confirm that we complied with the ethical requirements contained in auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States that are relevant to the group audit, including independence requirements<sup>1</sup>. This letter is furnished to you because you will express an opinion on the Annual Comprehensive Financial Report (ACFR) of The Commonwealth of Massachusetts which contains consolidated statements for Component Units and State Colleges and Universities, one of which is *Sample Entity*.

We are familiar with the ethical requirements, including independence, of the American Institute of Certified Public Accountants (AICPA) and *Government Auditing Standards*. As it relates to *Sample Entity*, our firm has been independent for the period of engagement as defined by the AICPA and *Government Auditing Standards*. Enclosed, please find a copy of our firm's most recent peer review report.

We also confirm that as of *[insert period of the financial statements covered by the audit report]* there are no related parties, as defined in GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, in

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<sup>1</sup> In accordance with AICPA independence standards (ET 101.10), a component auditor who is auditing the financial statements of a major fund, nonmajor fund, internal service fund, fiduciary fund, or component unit of the reporting entity (group) of a government should be independent with respect to those financial statements the covered person is reporting on. The component auditor is not required to be independent of the primary government or other funds or component units of the reporting entity (group). However, the component auditor (i.e. covered member(s) and his or immediate family) should not hold a key position within the primary government of the reporting entity (group). Accordingly, the component auditor should confirm that they are independent of the component they are auditing (not the entire reporting entity of the group).

addition to those you communicated to us in Attachment 1. We understand that your primary audit objectives associated with related party relationships and transactions are to:

- a. Determine the existence of related parties and identify transactions with related parties during the period and balances with them at the end of the period;
- b. Obtain an understanding of related party relationships and transactions sufficient to identify and assess the risks of material misstatement of the group financial statements;
- c. Examine identified related party transactions; and
- d. Determine the adequacy of disclosure.

*Or, if there are additional related parties use the following:*

We also provide the enclosed list of related parties, as defined in GASB Statement No. 62, that are in addition to the related parties communicated to us in Attachment 1.

With respect to our audit of the financial statements of the **Sample Entity**, we will update our audit procedures to identify subsequent events that occurred from the date of our report on the financial statements of **Sample Entity** to **[insert date]**, the expected date of your report of the group financial statements.

Based upon the procedures we performed and the representations received from the **Sample Entity's** management, we will notify you if we identify any subsequent events that may require adjustment to or disclosure in the group financial statements.

Signature: \_\_\_\_\_

Name of Audit Firm: \_\_\_\_\_

Date: \_\_\_\_\_

Attachment 1: Related Party Listing  
Attachment 2: Peer Review Report

**Attachment 1: Related Party Listing**

Below is a listing of entities meeting the related party criteria as set forth by GASB Statement No. 62. Transactions with the entity and its elected or appointed officers should be considered.

Entity Name	Known Transactions
Commonwealth of Massachusetts	State appropriation Fringe benefit allocation

The following entities have no known transactions:

- The Massachusetts School Building Authority (MSBA)
- The Pension Reserves Investment Trust Fund (PRIT)
- The Massachusetts State Lottery Commission
- The Massachusetts Department of Transportation (MassDOT)
- The Massachusetts Clean Water Trust (MCWT)
- Commonwealth Health Insurance Connector Authority
- The Massachusetts Municipal Depository Trust (MMDT)
- The University of Massachusetts System
- Bunker Hill Community College
- Greenfield Community College
- Middlesex Community College
- North Shore Community College
- Berkshire Community College
- Bristol Community College
- Cape Cod Community College
- Holyoke Community College
- Massasoit Community College
- Massachusetts Bay Community College
- Mount Wachusett Community College
- Northern Essex Community College
- Quinsigamond Community College
- Roxbury Community College
- Springfield Community College
- Bridgewater State University
- Fitchburg State University
- Framingham State University
- Massachusetts College of Art
- Massachusetts Maritime Academy
- Massachusetts College of Liberal Arts
- Salem State University
- Westfield State University
- Worcester State University
- The Massachusetts State College Building Authority (MSCBA)
- Massachusetts Convention Center Authority (MCCA)
- Massachusetts Development Finance Agency (MassDevelopment)
- Massachusetts Technology Park Corporation (MTPC)
- Massachusetts Clean Energy Center (CEC)
- Massachusetts Housing Partnership (MHP)

- Massachusetts Growth Capital Corporation (MGCC)
- Commonwealth Corporation
- Community Development Assistance Corporation (CEDAC)
- Massachusetts Life Sciences Center
- Commonwealth Zoological Corporation (Zoo)
- Berkshire Community College Foundation
- Bristol Community College Foundation
- Bunker Hill Community College Foundation
- Cape Cod Community College Educational Foundation, Inc.
- Greenfield Community College Foundation, Inc.
- Holyoke Community College Foundation
- Massasoit Community College Foundation
- Massachusetts Bay Community College Foundation, Inc.
- Middlesex Community College Foundation, Inc.
- North Shore Community College Foundation
- Springfield Technical Community College Foundation
- The Mount Waschusetts Community College Foundation, Inc.
- The Northern Essex Community College Foundation, Inc.
- The Quinsigamond Community College Foundation, Inc.
- The Roxbury Community College Foundation, Inc.
- The Bridgewater State University Foundation
- The Bridgewater Alumni Association of Bridgewater State University
- Fitchburg State University Foundation, Inc.
- Framingham State University Foundation, Inc.
- Massachusetts College of Art Foundation, Inc.
- Massachusetts College of Liberal Arts Foundation, Inc.
- The Massachusetts Maritime Academy Foundation, Inc.
- The Salem State University Foundation, Inc.
- Salem State University Assistance Corporation
- Westfield State University Foundation, Inc.
- Worcester State Foundation
- The University of Massachusetts Foundation

# XYZ INSTITUTION

Notes to the Financial Statements

**(XX) Management Accounting and Reporting System**

Section 15C of Chapter 15A of the Massachusetts General Laws requires Commonwealth Colleges and Universities to report activity of campus based funds to the Comptroller of the Commonwealth on the Commonwealth’s Statewide Accounting System (Massachusetts Management Accounting and Reporting System - MMARS) using the statutory basis of accounting. The statutory basis of accounting is modified accrual and differs from the information included in these financial statements. The amounts reported on MMARS meet the guidelines of the Comptroller’s Office for Higher Education Audited Financial Statements.

**A reconciliation schedule between the Institution’s records and MMARS should be presented. This should also include a reconciliation of the state appropriation. Tables should be as follows:**

The College’s State appropriations are composed of the following for the year(s) ended June 30:

	<u>2xxx</u>
Direct unrestricted appropriations	\$19,942
Add fringe benefits for benefited employees on the state payroll	3,445
Less day school tuition remitted to the state and included in tuition and fee revenue	<u>(1,300)</u>
Total appropriations	<u>\$22,087</u>

A timing difference (**insert reason other than “timing difference” if applicable**) occurred where the College had additional revenue in the amount of \$675 that was reported to MMARS after August 31, 2xxx, reconciled as follows:

	<u>2xxx</u>
Revenue per MMARS	\$11,703
Revenue per College	<u>12,378</u>
Difference	<u>\$675</u>