



DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

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Commissioner of Revenue

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To: City Auditors, Town and Special Purpose District Accountants
From: Mary Jane Handy, Director of Accounts
Date: July, 2016

This letter sets forth the requirements for certification of General Fund free cash, certification of enterprise fund retained earnings, submission of required DLS reports, and certain other related matters.

For jurisdictions required to submit audited financial statements prior to free cash certification, if the independent auditor's opinion is adverse or disclaimed the certification of free cash is at the Director's discretion.

The information in this letter is updated and are reminders from last year's letter

Grant Reimbursements

Expenditures made in anticipation of State grant reimbursements that were subsequently reduced or eliminated in FY2016, resulting in a deficit in the grant account at June 30, 2016, and for which reimbursement is no longer anticipated, must be provided for or included on page 2 of the FY2017 Tax Rate Recap as an "Other Amount to be Raised."

Snow and Ice

DLS Bulletin [2015-07B](#) details the process cities and towns used to amortize their FY2015 snow and ice account deficit. Please review this Bulletin and **UPDATE** the [Snow and Ice Amortization Schedule](#) if applicable.

The Snow and Ice Report must be submitted in Gateway by September 15.

PEG Access

Since the passage of Chapter 352 of 2014 regarding Cable Television PEG Access funds and the issuance of IGR 16-102 on the matter, the Bureau has received numerous calls and e-mails from communities as to the current accounting treatment of these funds. In order to facilitate local decisions about the most appropriate accounting treatment for these revenues, the Bureau will extend for one year the date announced in IGR 16-102 for completing any transition from a community's current accounting treatment. Communities will now have until the close of fiscal year 2017 to consider the available accounting options and take the necessary actions to implement it. Accounts treated otherwise at the end of fiscal year 2017 will be closed to the General Fund as part of the June 30, 2017 free cash certification. Any inconsistent statement in Section 1 of IGR 16-101 or other prior written publications or statements is superseded.

Supporting a Commonwealth of Communities

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Balance Sheet - Form Submission Requirements

All procedures necessary to properly close accounting records should be completed. Pre-closing trial balances will not be accepted. Only balance sheets that have been closed as of June 30, 2016 will be accepted for certification of free cash. Please submit hard-copy documentation of information not already entered or uploaded into Gateway to your BOA field representative.

UMAS accounting does not require that local governmental entities convert their chart of accounts to conform to GASB 54 definitions. The Bureau will continue to allow fund balance definitions to appear as in the past.

Some of the required year end forms are down-loadable from the DLS website when linked and are up-loadable or data entered in the Gateway system under the MISC Forms Tab.

- Combined Balance Sheet and Combining Balance Sheets for each fund type including individual fund balances (may include a system generated balance sheet);
- Detailed analysis of undesignated fund balance/surplus revenue;
- Cash Reconciliation Form;
- Schedule of Outstanding Receivables;
- Snow and Ice Annual Report;
- [FY2016 Balance Sheet Checklist](#);
- [Treasurer's Year End Cash Report](#);
- [Statement of Indebtedness](#);
- [Snow and Ice Amortization Schedule](#), if applicable;
- Other information as requested by the Bureau;
- Audited financial statements if required by the Director;

Balance Sheet Presentation

- For balance sheet purposes at June 30, 2016, debt proceeds reserved in the Enterprise Fund must be transferred to a Capital Projects Fund.
- For each separate enterprise fund, the transfer of Enterprise Fund receipts to the General Fund for indirect costs cannot exceed the amount reported on Schedule A-2 Enterprise Funds, part IIB Total costs appropriated in general fund.
- If committed before July 1, the FY2017 property tax commitment is not recorded until July 1. Cash received before July 1 toward that commitment is recorded as FY2017 deferred revenue.
- Invested funds must be reported at fair value as of June 30.

- Incurred But Not Reported claims of a self-insured health care trust fund must be accrued and reported on the balance sheet. A June 30, 2016 deficit in this fund is a reduction to free cash and must be provided for in the FY2017 tax rate.
- The State Special Education Reimbursement Fund (Circuit Breaker) June 30 balance can be no greater than DESE's FY2016 reimbursement, not including extraordinary assistance or funds obligated by the school committee for FY2017 purposes. Any fund balance in excess of the allowable balance must close to the General Fund on June 30.
- Massachusetts School Building Authority (MSBA) lump-sum payments may require reservation and amortization. Review [IGR 08-102](#)
- Inter-fund borrowing advances must be repaid no later than June 30. Review [IGR 92-105](#). Debt authorized for jurisdictions under legal restriction to obtain approval from the Commissioner of Revenue must first receive local approval and then the Commissioner's before inter-fund borrowing and expenditure of funds can occur.
- Community Preservation Fund balances reported on the June 30 balance sheet must match balances reported on the Community Preservation Fund Report CP-2 that is due on October 31.
- Appropriations from Community Preservation Fund (CPF) FY2017 estimated revenues prior to July 1, are neither recorded nor expendable until July 1.
- Any Enterprise Fund related capital project deficit recorded in the Capital Projects Fund may reduce free cash or retained earnings depending upon the fund intended to finance the capital project.
- The Bureau has noted that a number of balance sheet reports reflect deficits in certain grants. The Bureau may reduce free cash for any grants which has been reported in deficit on the balance sheet. The Bureau will not require at this time that the deficit be provided for on the FY2017 Tax Rate Recap, however, accounting officials should analyze the deficit funds and plan to provide for the deficit in the near future.
- The Bureau has advised local accounting officials that reservation of funds within an Enterprise Fund apart from retained earnings may only occur consistent with the provisions of the Enterprise Fund Manual, [IGR 08-101](#). We also recommend courses of action for continued reservation of such funds. The Bureau may in the June 30, 2016 retained earnings certification close to retained earnings improper reservations. Additionally, Capital projects should not be reported in the Enterprise Fund, but reported in the Capital Projects Fund.

Potential Increases to Free Cash

The following amounts may be requested by the jurisdiction's accounting official to be included in the certification:

- FY2016 state aid payments received by September 30;
- Federal/state reimbursements received by September 30 for FY2016 expenditures that resulted in a deficit fund balance as of June 30 may be applied to offset the deficit;
- Expected reimbursement from MassDOT relating to Chapter 90 apportionment reimbursements for FY2016 expenditures that resulted in a deficit fund balance as of June 30 may be applied to offset the deficit provided a documented reimbursement request was filed with the appropriate authority by September 30 and the Bureau must be satisfied that payment will be made.

Potential Decreases to Free Cash

The following reasons will contribute to a free cash reduction unless otherwise noted.

- The Director may reduce the calculated amount of free cash if, the calculated amount cannot be substantiated by supporting documentation.
- A variance between the balance sheet and cash and/or outstanding receivables detail;
- Illegal deficits or any legal deficit not provided for on the tax rate (if tax rate certification preceded free cash certification);
- A fund balance deficit in an individual Capital Projects Fund where funds were not borrowed by June 30;
- A deficit fund balance in the self-insurance health claims trust (Note: must be provided for on next tax rate);
- A grant deficit as of June 30 for which funds were not borrowed by June 30 or reimbursement was not received by September 30; [Bulletin 2015-07B](#) indicated that free cash would not be reduced for a FEMA deficit during FEMA's reimbursement period if properly recorded;
- A Chapter 90 fund balance deficit where funds were not borrowed by June 30; reimbursement was not received by September 30; or reimbursement was not filed with MassDOT by September 30 and the Bureau was not satisfied that payment will be made.

Certification Notice

Certification letters, Free Cash Calculations, and Enterprise Fund Retained Earning Calculations will be emailed to the mayor/manager, board of selectmen, finance director, accounting officer and treasurer immediately upon approval, to the email address in the Local Officials Directory (LOD) located in Gateway. Officials are advised to periodically check the LOD for accuracy of their email address and notify their City/Town Clerk of any changes.

Free Cash Certification Update

Once in any fiscal year, free cash certification may be updated. Certification may be updated by receipts attributable principally to prior fiscal year property taxes, net of refunds, received from July 1 through March 31. At a minimum, a listing of taxes collected by fiscal year must be provided to the Bureau for update purposes. This free cash certification update provides additional appropriation authority.

A certification update will not be allowed if use of such funds could, in the Director's opinion, result in a negative free cash as of the following June 30. No similar update may be requested for the following fiscal year if an update is certified and such a negative free cash results.

The Bureau will continue to allow non-recurrent distributions received in the current fiscal year to be included in a free cash certification update subject to the conditions noted above.

Treasurer's Year End Cash Report

The Treasurer's Year-End Cash Report as of June 30, 2016 must be completed and uploaded in the Gateway system by September 30, 2016 or upon submission of a balance sheet for FY2016 free cash certification, whichever is earlier.

The Accountant completes Part II or if there is a variance completes Part III of the Report. Do not check-off on behalf of the Treasurer. If you have any problems with Report submission, please contact your BOA field representative.

Schedule A Form and Notice

The FY2016 Schedule A is due November 30. General Laws provide for the withholding of local aid payments to cities and towns that do not submit the Schedule A timely.

The FY2016 Schedule A is currently available in Gateway. The Excel version of Schedule A will be available in early August. Please review the annual Schedule A Guidelines and Reference Manual for detailed instructions.

Schedule A approval letters will be emailed to the budgeting, accountant/auditor, comptroller and finance director immediately upon approval, to the email address in the Local Officials Directory (LOD) located in Gateway. Officials are advised to periodically check the LOD for accuracy of their email address and notify their City/Town Clerk of any changes.

DLS Website and Gateway

All IGRs and Bulletins referred to in this letter can be found on the DLS website at www.mass.gov/dls. Many forms referred in this letter are found in Gateway or may be downloaded from the DLS website, completed and uploaded in Gateway. If you have any questions with regard to any item in this letter, please do not hesitate to contact your BOA field representative.

DLS Mailing List Subscription

To subscribe to automatic notification of IGRs, Bulletins, DLS publication City & Town, Cherry Sheets and Other Informational Mailings please click [here](#).