



Bulletin

2015-07B

TO: City and Town Officials

FROM: Anthony A. Rassias, Deputy Director of Accounts

DATE: April 2015

SUBJECT: Amortization of FY2015 Snow and Ice Removal Deficit and Special Accounting Treatment for Intended FEMA Reimbursement

A recently enacted supplemental state budget authorizes cities and towns to amortize their FY2015 snow and ice removal account deficits over the next three fiscal years, in equal installments or more rapidly. [St. 2015, c. 10, § 58](#), effective March 31, 2015.

Under the legislation, the board of selectmen in a town, the town council in a municipality with a town council form of government and the city council with the mayor's approval when required by law in a city may adopt an amortization schedule before the city or town sets its FY2016 tax rate. This provision does not apply to special purpose or regional school districts.

In conjunction with this, the federal government has authorized reimbursement to cities and towns within certain counties for qualifying storm expenditures incurred from January 26-28, 2015. The Bureau of Accounts will allow local accounting officials in those affected cities and towns to transfer a portion of their FY2015 snow and ice deficit into a separate account in anticipation of FEMA's reimbursement. Amortization, therefore, need only be for the net FY2015 deficit.

For cities and towns not authorizing this amortization, the June 30, 2015 snow and ice deficit less any transfer to a separate account as indicated above must be fully raised or otherwise funded on the FY2016 Tax Rate Recap as usual.

Special Accounting Treatment for Intended FEMA Reimbursement

The Bureau will allow city and town accounting officials in Barnstable, Bristol, Dukes, Essex, Middlesex, Norfolk, Plymouth, Suffolk, and Worcester counties to transfer a portion of their FY2015 snow and ice deficit into a separate account in anticipation of FEMA's reimbursement.

For June 30, 2015 balance sheet purposes, the Bureau will allow a transfer up to 75% of the estimated amount previously indicated to the Massachusetts Emergency Management Agency (MEMA) as qualifying expenditures incurred during the applicable time period. In this way, amortization need only be for the net FY2015 deficit. The Bureau may require a change in this amount once a more definitive amount has been determined.

The deficit in this account is to be offset as reimbursements are received. After FEMA's final reimbursement to the city or town, any remaining deficit in this account must be raised or otherwise funded on the next Tax Rate Recap, or any remaining surplus must be closed to the General Fund on the next June 30. If FEMA's final reimbursement occurs during the amortization time period described below, the city or town may add this deficit to the amount being amortized.

During FEMA's reimbursement period, the Bureau will not reduce free cash due to the deficit in this special account if properly recorded.

Amortizing the June 30, 2015 Snow and Ice Deficit

The legislation allows any city or town's June 30, 2015 snow and ice deficit (or net deficit as reduced by the intended FEMA reimbursement) to be amortized either in three equal installments from FY2016 to FY2018, or in more rapid installments. This local decision must be made before setting the FY2016 tax rate. Installments may be reported on the Tax Rate Recap as either an appropriation on page 4 or as an Other Amounts to be Raised on page 2.

If amortizing in three equal installments, simply divide the net deficit by "3."

If amortizing more rapidly, the FY2016 and FY2017 installments must be greater in amount than what the equal installments would have been. The exception is when the FY2017 or FY2018 installment is the final one.

Accounting Treatment for Amortized Snow and Ice Deficit

If amortizing the deficit, record the following actual entry:

| | |
|--------|--|
| DEBIT | Fund Balance Designated for Authorized Snow and Ice Amortization |
| CREDIT | Undesignated Fund Balance |

The entry is reversed as annual installments are raised. The Bureau will not reduce free cash due to the amortized portion of the deficit if properly recorded.

If you have any further questions in this matter, contact your Bureau of Accounts field representative.