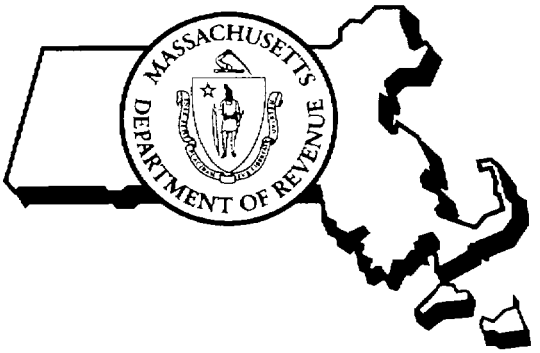
Massachusetts Department of Revenue
Division of Local Services

LOCAL ENTERPRISES

Enterprise and Special Revenue Fund Issues



2008

Workshop B

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LOCAL ENTERPRISES
Enterprise and Special Revenue Fund Issues

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LOCAL ENTERPRISES
Enterprise and Special Revenue Fund Issues

Discussion Topics

Today's workshop will focus on special financing options available for local services of a proprietary nature. These are services provided to individual consumers in a manner similar to private business, *i.e.*, users are charged fees to cover all or a significant portion of the cost of providing the service.

What, if any, special financing options are available for the following proposals for new or expanded programs or for restructuring delivery of a current service, *e.g.,* revolving fund, offset receipts, enterprise fund, etc.? What factors would a community consider in deciding whether to use these options rather than budget the activity in the general fund?

Curbside Trash Pick-up Service - To date, the town has only had landfill drop-off service. The town has experienced substantial growth and many residents are now lobbying for the town to provide curbside trash collection. To help defray the cost, the town is considering implementing a Pay-As-You-Throw (PAYT) system for residential properties. It would charge for stickers that must be placed on trash bags or barrels and only trash in the specially marked bags or barrels would be picked up. All trash would continue to be deposited in the town landfill, which presently is estimated to close in 2025.

Public Water Supply System – The town supplies water to its commercial area and some residential areas and accounts for water revenues in an enterprise fund. It wants to extend the system into existing residential areas currently served by wells and into new residential areas as the town develops. In addition, the existing infrastructure is aging and needs to be replaced. It would like to dedicate connection fees, user fee surcharges or betterments charged new customers to pay for the system extensions and improvements. In the meantime given the age of the existing infrastructure, the water department needs to be able to fund emergency situations such as water main breaks.

Municipal Golf Course - The owner of a private golf course currently classified as recreational land under G.L. Chapter 61B notifies the town that the land is being sold for another purpose. Park and Recreation Department officials would like to see the town exercise its option to purchase the property and continue operations as a municipal course. However, some improvements are needed in the course first, and the town would have to finance both the purchase and improvements by borrowing. The proposal is considered viable only if the course can generate sufficient revenues to cover all current and future costs associated with its acquisition, improvement, operation and maintenance.

Parks and Recreation Facilities and Programs - The Parks and Recreation Department provides a full range of summer activities for adults and children including arts and crafts programs, special seasonal events and town tournaments, swimming programs, athletic programs such as softball, baseball and soccer, and special excursions to museums, local beaches and sporting events. The town is growing and the demand for these programs changes from year to year. Thus, it is not known at budget time the number of instructors, or amount of program supplies and equipment, that will be needed. The Recreation Director would like, however, to hire a full-time pool director-swimming coach next year to accommodate the increased use of the recreation center swimming pool. Participation fees are charged for all of these activities.

In addition to its parks and playgrounds under the control of the parks and recreation commission, where the town charges for permits and for participation in various town sponsored recreation activities, such as summer basketball and softball leagues, the town has several areas under the control of the conservation commission which generate revenue from parking and from the rental of bicycles and canoes by lessees of the town.

Ambulance Services - Currently, ambulance service in town is provided by the fire department. There are proposals to contract with a private ambulance company, or to operate the service with municipal personnel independently of the fire department.

Senior Citizen Bus Service - The Council on Aging has proposed running limited bus service to several senior citizen housing complexes in the town. It has not yet decided whether to contract with a private bus company or lease a bus and operate the service with municipal personnel. The council has been informed the town may qualify for a grant that will reimbursement it for part of the operating costs. Modest fares will also be charged. It is expected that the fares and reimbursement will fully cover the cost of operating the service.

Harbor and Beach Facilities - A coastal town has several revenue generating facilities and programs connected with its coastal areas: a parking lot that serves a town beach and is under the control of the parks and recreation department; a summer swimming program run by the parks and recreation department; a boat ramp, a town wharf with boat slips and facilities for commercial operations, including a ferry and whale watch cruises, harbor mooring sites, all under the supervision of the harbor master, and a boating safety program run by the harbor master

Municipal Parking – To alleviate parking congestion downtown, the city plans to build a parking garage on a vacant lot it owns behind city hall. Currently, there are metered spaces on the main downtown streets. The construction will be financed by borrowing. The city plans to hire a contractor to operate the facility and provide security. It wants to use revenues from the garage and meters to construct, operate, maintain and repair the new garage.

ANALYZING SPECIAL FINANCING OPTIONS FOR LOCAL ENTERPRISES

QUESTIONS TO ASK IN ANALYZING SUITABLE OPTIONS

SCOPE AND EXPENSES

- What department is responsible for operating the program or service?
- Is it a regular governmental function that must be provided regardless of demand?
- Do the expenses vary based with demand or are they fixed, *e.g.*, salaries, debt service, etc.
    - Is the program or service being carried out by municipal employees or by independent contractors?
    - If by municipal employees, are they full or part-time?
    - Does the program or service require capital expenditures?
    - If so, how extensive are those expenditures and how would they be financed?

REVENUE SOURCE

- What is its relationship to the program or service being funded?
    - Do the annual receipts vary with demand or are they fairly predictable?
    - Is the level and timing of receipts sufficient to pay expenses as they come due?

IMPLEMENTATION REQUIREMENTS

- What are the specific adoption, accounting, budgeting and reporting requirements of the proposed option?
    - Is town meeting/city council action required to implement it?
    - Does the fund balance close at year end or carry forward?
    - Does interest stay with the fund?

TREATMENT OF MUNICIPAL REVENUES

GENERAL FUND REVENUES (Estimated Receipts)

Unrestricted revenues, including property taxes, state aid and other local revenues available to support general government operations. Revenue belongs to the general fund unless otherwise provided by statute. G.L. c. 44, § 53.

SPECIAL REVENUE FUNDS

Particular revenues that are earmarked for and restricted to expenditure for specified purposes. Special revenue funds include receipts reserved for appropriation, revolving funds, grants from governmental entities and gifts from private individuals and organizations. Special revenue funds must be established by statute.

Receipts Reserved for Appropriation

Receipts from a specific revenue source that by law is accounted for separately from the general fund (segregated) and must be spent by appropriation. Examples are:

Parking Meter Receipts	G.L. c. 40, §§ 22A - 22C
Sale of Real Estate	G.L. c. 44, § 63
Waterways Improvement Fund	G.L. c. 60B, §§ 2(i) & 4
	G.L. c. 40, § 5G
Sale of Cemetery Lots	G.L. c. 114, § 15
County Dog Fund	G.L. c. 140, § 172

Revolving Funds

Receipts from a specific revenue source that are accounted for separately (segregated) from the general fund and may be spent without appropriation to support the activity, program or service that generated the revenue. Examples are:

Arts Lottery Council Fund	G.L. c. 10, § 58
School Rental Receipts	G.L. c. 40, § 3
Parks and Recreation Revolving Fund	G.L. c. 44, § 53D
Departmental Revolving Fund	G.L. c. 44, § 53E½
Planning/Zoning/Health Boards Consultants Fund	G.L. c. 44, § 53G
Anniversary Celebration Fund	G.L. c. 44, § 53I
Student Athletic and Activity Fund	G.L. c. 71, § 47
Wetlands Protection Fund	G.L. c. 131, § 40
	c. 43, § 218 of the Acts of 1997
	c. 194, § 349 of the Acts of 1998

TRUST AND AGENCY FUNDS

Fiduciary funds segregated from the general fund to account for assets held by the city or town in a trustee capacity or as an agent for individuals, private organizations, other governmental units, etc. These include expendable trust funds, non-expendable trust funds, pension trust funds and agency funds.

Examples of Trust Funds are:

Scholarship Fund	G.L. c. 60, § 3C
Local Education Fund	G.L. c. 60, § 3C
Educational/Instructional Materials Trust Fund	G.L. c. 71, § 20A
Cemetery Perpetual Care Fund	G.L. c. 114, § 25

Examples of Agency Funds are:

Police Outside Detail Fund	G.L. c. 44, § 53C
Student Activity Agency Account	G.L. c. 71, § 47
Sporting License Receipts	G.L. c. 131, § 18
County Dog License Receipts	G.L. c. 140, § 172

ENTERPRISE FUNDS

Funds segregated from the general fund to account for services financed and delivered in a manner similar to private enterprises where the intent of the municipality is that all costs, direct or indirect, of providing the goods or services be financed or recovered primarily through user charges. Where the service is not fully financed by fees, provides information about the level of general fund subsidy of the service. G.L. c. 44, § 53F½ (formerly G.L. c. 40, § 39K).

APPROPRIATED SPECIAL PURPOSE FUNDS

Statutory funds to account for allocation of general revenues by the appropriating authority to particular purposes. Examples are:

Reserve Fund	G.L. c. 40, § 5A (cities) G.L. c. 40, § 6 (towns)
Stabilization Fund (unrestricted)	G.L. c. 40, § 5B
Pension Reserve Fund	G.L. c. 40, § 5D
Unemployment Compensation Fund	G.L. c. 40, § 5E
Conservation Fund	G.L. c. 40, § 8C
Overlay (annual accounts)	G.L. c. 59, § 25
Overlay Surplus (balances)	G.L. c. 59, § 25

LIST OF SPECIAL FUNDS AND CITATIONS

ENTERPRISE REVENUES

Water Surplus	G.L. c. 41, § 69B
Landfill/Trash Collection Charges	G.L. c. 44, § 28C(f)
Landfill Closure Reserve	G.L. c. 44, § 28C (f)
Enterprise Funds	G.L. c. 44, § 53F½
Electric Light Receipts	G.L. c. 164, § 57

TEMPORARY FUNDS (Expire at Year's End)

Reserve Fund	G.L. c. 40, § 5A (cities)
	G.L. c. 40, § 6 (towns)
Free Cash	G.L. c. 59, § 23
Overlay Surplus	G.L. c. 59, § 25

REVOLVING FUNDS (No appropriation needed)

Arts Lottery Council Monies	G.L. c. 10, § 58
School Lunch Fund	c. 548 of the Acts of 1948
School Rental Receipts	G.L. c. 40, § 3
Performance Bond Forfeitures (Up to $100,000 by local option)	G.L. c. 41, § 81U
Expedited Permitting	G.L. c. 43D, § 6(b)
Police Special Detail	G.L. c. 44, § 53C
Parks and Recreation Fund	G.L. c. 44, § 53D
Departmental Revolving Fund	G.L. c. 44, § 53E½
Planning/Zoning/Health Boards Consultants Fund	G.L. c. 44, § 53G
Anniversary Celebration	G.L. c. 44, § 53I
Affordable Housing Trust	G.L. c. 44, § 55C
Culinary Arts Programs	G.L. c. 71, § 17A
School Day Care Receipts	G.L. c. 71, § 26C
Student Athletic and Activities	G.L. c. 71, § 47
Student Activity Agency	G.L. c. 71, § 47
Community Schools Programs	G.L. c. 71, § 71C
Adult Continuing Education	G.L. c. 71, § 71E
Use of School Property	G.L. c. 71, § 71E
Non-resident Students' Tuition	G.L. c. 71, § 71F
METCO Reimbursements	G.L. c. 71B, § 12
Vocational Education Programs	G.L. c. 74, § 14B
School Choice	G.L. c. 76, § 12B(O)
Law Enforcement Trust	G.L. c. 94C, § 47
Wetlands Protection Fund	G.L. c. 131, § 40
	c. 43, § 218 of the Acts of 1997
	c. 194, § 349 of the Acts of 1998
Multi-community Yard Waste Program	c. 179 of the Acts of 1993
Millennium/Centennial Celebration	c. 59 of the Acts of 1998
School Bus Advertising Receipts	c. 184, § 197 of the Acts of 2002

OTHER SPECIAL PURPOSE FUNDS (Held-over from Year to Year)

Self-Insurance Health Fund	G.L. c. 32B, § 3A
Stabilization Fund	G.L. c. 40, § 5B
Pension Reserve Fund	G.L. c. 40, § 5D
Unemployment Compensation Fund	G.L. c. 40, § 5E
Ambulance Receipts Reserved	G.L. c. 40, § 5F
Beach and Pool Receipts Reserved	G.L. c. 40, § 5F
Golf Course Receipts Reserved	G.L. c. 40, § 5F
Skating Rink Receipts Reserved	G.L. c. 40, § 5F
Waterways Improvement Fund	G.L. c. 40, § 5G
	G.L. c. 60B, § 2(i)
Conservation Fund	G.L. c. 40, § 8C
Recycling Commission Fund	G.L. c. 40, § 8H
Building Insurance Fund	G.L. c. 40, § 13
Workmen's Compensation Fund	G.L. c. 40, § 13A
Parking Meter Fees	G.L. c. 40, § 22A
Off-street Parking Receipts	G.L. c. 40, §§ 22B & 22C
Commission on Disabilities Fund	G.L. c. 40, § 22G
Bond Proceeds	G.L. c. 44, § 20
State Highway and Water Pollution Funds	G.L. c. 44, § 53
Insurance/Restitution Proceeds (Up to $20,000)	G.L. c. 44, § 53
Lost School Books/Industrial Arts Supplies	G.L. c. 44, § 53
Grants and Gifts	G.L. c. 44, § 53A
Sale of Real Estate Proceeds	G.L. c. 44, § 63
Community Preservation Fund	G.L. c. 44B, § 7
Overlay	G.L. c. 59, §§ 25 & 70A
Local Education Fund	G.L. c. 60, § 3C
Scholarship Fund	G.L. c. 60, § 3C
Low Income Seniors and Disabled Tax Relief Fund	G.L. c. 60, § 3D
Wastewater Disposal Receipts	**G.L. c. 83, § 1G**
Non-Resident Student Motor Vehicle Registration Fines Receipts Reserved	G.L. c. 90, § 3½
Weight and Measure Fines Receipts Reserved	G.L. c. 98, § 29A
Educational/Instructional Materials Trust Fund	G.L. c. 71, § 20A
Cemetery Sale of Lots Fund	G.L. c. 114, § 15
Cemetery Perpetual Care Funds	G.L. c. 114, § 25
Spay and Neuter Deposits	G.L. c. 140, § 139A
County Dog Fund	G.L. c. 140, § 172

September 2008

MODEL
MULTIPLE DEPARTMENTAL REVOLVING FUNDS ARTICLE AND VOTE

Article 5 - DEPARTMENTAL REVOLVING FUNDS AUTHORIZATION. To see if the town will vote to authorize revolving funds for certain town departments under Massachusetts General Laws Chapter 44, § 53E½ for the fiscal year beginning July 1, 2008, or take any other action relative thereto.

Motion – That the town establish revolving funds for certain town departments under Massachusetts General Laws Chapter 44, § 53E½ for the fiscal year beginning July 1, 2008, with the specific receipts credited to each fund, the purposes for which each fund may be spent and the maximum amount that may be spent from each fund for the fiscal year (if optional information included (shaded columns) then insert: the disposition of the balance of each fund at the end of the current fiscal year and restrictions on expenditures that may be made from each fund), as follows:

Revolving Fund	Authorized to Spend Fund	Revenue Source	Use of Fund	FY09 Spending Limit[1]	Disposition of FY08 Fund Balance (Optional)	Spending Restrictions or Comments (Optional)
Hazardous Materials	Fire Chief	Fees charged to persons spilling or releasing hazardous materials	Training and special equipment needed to respond to hazardous materials incidents	$15,000	New fund	
Title V Inspection	Board of Health	Septic system inspection fees	Salaries of inspectors or contractual services related to septic system inspections	$40,000	Balance available for expenditure	
Teen Center	Teen Center Director	Teen center snack bar receipts, dance admission charges, activity charges and receipts	Expenses, supplies and contractual services to operate Teen Center	$15,000	Balance available for expenditure	Fund may not be spent for salaries of more than one part-time employee. Full-time director salary funded in annual budget
Senior Citizens Bus	Council on Aging	Bus user fees	Salaries, expenses, contractual services to operate bus service to senior citizen housing developments and debt service on bus purchased for program	$50,000	$5,000 of balance available for expenditure, remainder to revert to General Fund	Fund may not be spent for salaries of more than two full-time employees, or any capital item over $500
TOTAL SPENDING[2]				$120,000		

[1] FY09 per department spending limit is $100,000 (1% of FY08 levy of $10,000,000)
[2] FY09 total spending limit is $1,000,000 (10% of FY08 levy of $10,000,000)

STABILIZATION FUND
General Laws Chapter 40 § 5B

Section 5B. For the purpose of creating 1 or more stabilization funds, cities, towns and districts may appropriate in any year an amount not exceeding, in the aggregate, 10 per cent of the amount raised in the preceding fiscal year by taxation of real estate and tangible personal property or such larger amount as may be approved by the director of accounts. The aggregate amount in such funds at any time shall not exceed 10 per cent of the equalized valuation of the city or town as defined in section 1 of chapter 44. Any interest shall be added to and become part of the fund.

The treasurer shall be the custodian of all such funds and may deposit the proceeds in national banks or invest the proceeds by deposit in savings banks, co-operative banks or trust companies organized under the laws of the commonwealth, or invest the same in such securities as are legal for the investment of funds of savings banks under the laws of the commonwealth or in federal savings and loans associations situated in the commonwealth.

At the time of creating any such fund the city, town or district shall specify, and at any later time may alter, the purpose of the fund, which may be for any lawful purpose, including without limitation an approved school project under chapter 70B or any other purpose for which the city, town or district may lawfully borrow money. Such specification and any such alteration of purpose, and any appropriation of funds into or out of any such fund, shall be approved by two-thirds vote, except as provided in paragraph (g) of section 21C of chapter 59 for a majority referendum vote. Subject to said section 21C, in a town or district any such vote shall be taken at an annual or special town meeting, and in a city any such vote shall be taken by city council.

RECEIPTS RESERVED FOR APPROPRIATION
General Laws Chapter 40 § 5F

Section 5F. For the following purposes, a city or town may defray the cost, including maturing debt and interest, of acquiring, establishing, maintaining, and operating certain facilities and services by charges established by the city or town upon persons making use of such facilities or services: (1) purchasing, hiring, maintaining, and operating ambulances; and (2) establishing, maintaining, and equipping public gymnasiums, swimming pools, bathing beaches, golf courses, artificial ice-skating rinks and other such means of recreation, instruction or exercise.

Notwithstanding the provisions of any general or special law to the contrary, a city or town may accept credit cards for payment for golf greens fees for the use of a golf course; provided, however, that any person who pays by credit card shall not be charged an amount greater than the amount charged to other persons.

WATERWAYS IMPROVEMENT AND MAINTENANCE FUND
General Laws Chapter 40, § 5G

Section 5G. A city or town may establish a municipal waterways improvement and maintenance fund to receive revenue under subsection (i) of section 2 of chapter 60B and under section 10A of chapter 91 and sums received from the commonwealth or the federal government, and may appropriate monies in said fund for (1) maintenance, dredging, cleaning and improvement of harbors, inland waters and great ponds of the commonwealth, (2) the public access thereto, (3) the breakwaters, retaining walls, piers, wharves and moorings thereof, and (4) law enforcement and fire prevention.

RECYCLING COMMISSION FUND
General Laws Chapter 40, § 8H

Section 8H. A city, town, or district may establish, by approval of the local legislative body, a recycling program for the purpose of recycling any type of solid waste including but not limited to paper, glass, metal, rubber, plastics, used tires and compostable waste. The program may be established for groups of cities, towns, or districts upon agreement of all municipalities or districts in a joint program.

Any recycling program established pursuant to this section may require that all residents, schools and businesses in a city or town separate from their solid waste those recyclables designated by the local legislative body. In cities and towns in which solid waste is collected at the curbside, the recycling program may include curbside collection of such recyclables. In cities and towns in which residents, schools or businesses may take their solid waste to a municipal landfill or transfer station, the recycling program shall include provision for the separation and storage at such landfill or transfer station of the solid waste being disposed by such resident, schools or businesses, and may include collection of recyclables at the curbside.

For purposes of this section, local legislative body shall mean the body of municipal government which is empowered to enact ordinances or by-laws and adopt an annual budget and other spending authorizations, whether styled as a city council, board of aldermen, town council, town meeting or by any other title. The department of environmental protection shall cooperate with local legislative bodies in the development of recycling programs, and no such program shall be established unless the municipality or district has first consulted with said department.

A city or town may appropriate money in any year to a recycling fund of which the treasurer shall be the custodian. He may deposit or invest the proceeds of said fund in savings banks, trust companies incorporated under the laws of the commonwealth, banking companies incorporated under the laws of the commonwealth which are members of the Federal Deposit Insurance Corporation, or national banks, or invest it in paid up shares and accounts of and in co-operative banks or in shares of savings and loan associations or in shares of federal savings and loan associations doing business in the commonwealth, and any income therefrom shall be credited to the fund. Money in said fund may be expended by said commission for any purpose authorized by this section, other than a taking by eminent domain.

PARKING REVENUES
General Laws Chapter 40, §§ 22A-22C

Section 22A. Any city or town, for the purpose of enforcing its ordinances, by-laws and orders, rules and regulations relating to the parking of vehicles on ways within its control and subject to the provisions of section two of chapter eighty-five, may appropriate money for the acquisition, installation, maintenance and operation of parking meters, or by vote of the city council or of the town may authorize a board or officer to enter into agreement for such acquisition, installation or maintenance of parking meters; provided, that the city of Boston, for the purpose of enforcing the rules and regulations adopted by its traffic and parking commission, or promulgated by its commissioner of traffic and parking, under chapter two hundred and sixty-three of the acts of nineteen hundred and twenty-nine, may appropriate money for the acquisition, installation, maintenance and operation of parking meters, or, by vote of the city council of said city, subject to the provisions of its charter, may authorize the traffic and parking commission of said city to enter into agreements for the acquisition, installation or maintenance of parking meters. An agreement for the acquisition or installation of parking meters may provide that payments thereunder shall be made over a period not exceeding five years without appropriation, from fees received for the use of such parking meters notwithstanding the provisions of section fifty-three of chapter forty-four. Such fees shall be established and charged at such rates that the revenue therefrom shall not exceed in the aggregate the necessary expenses incurred by such city or town for the acquisition, installation, maintenance and operation of parking meters and the regulation of parking and other traffic activities incident thereto. No fee shall be exacted and no penalty shall be imposed for the parking of any vehicle owned and driven by a disabled veteran or by a handicapped person and bearing the distinctive number plates authorized by section two of chapter ninety, or for any vehicle transporting a handicapped person and displaying the special parking identification plate authorized by said section two of said chapter ninety or for any vehicle bearing the official identification of a handicapped person issued by any other state or any Canadian Province. Any city or town may, in accordance with the provisions of this section, acquire and operate coin-operated locking devices for bicycle parking. A city or town may, in accordance with the provisions of this section, authorize the parking of more than one motorcycle in a single parking space and may impose a penalty for the full amount of a violation of an ordinance, by-law, order, rule or regulation related to the parking of vehicles on ways within its control and subject to section 2 of chapter 85 for each motorcycle so parked in violation of any such ordinance, by-law, order, rule or regulation. No motorcycle shall be parked in such a manner so as to inhibit the means of egress of another motorcycle currently parked in the same parking space.

Any city or town acting under this section shall further regulate the parking of vehicles on ways within its said control by restricting certain areas thereon for the parking of any vehicle owned and driven by a disabled veteran or handicapped person whose vehicle bears the distinctive number plates authorized by section two of chapter ninety or for any vehicle transporting a handicapped person and displaying the special parking identification plate authorized by said section two of said chapter ninety, or for any vehicle bearing the official identification of a handicapped person issued by any other state, or any Canadian Province, or by prohibiting the parking or standing of any vehicles in such a manner as to obstruct any

curb ramp designed for use by handicapped persons. Parking spaces designated as restricted under this paragraph shall be identified by the use of above-grade signs with white lettering against a blue background and shall bear the words "Handicapped Parking: Special Plate Required. Unauthorized Vehicles May be Removed at Owner's Expense". The spaces shall be as near as possible to a building entrance or walkway, shall be adjacent to curb ramps or other unobstructed methods permitting sidewalk access to a handicapped person and shall be at least 8 feet wide, not including the cross hatch access aisle as defined by the architectural access board established in section 13A of chapter 22. If parking spaces designated as restricted under this paragraph are made temporarily unavailable due to a construction project or other planned event, the city or town shall ensure that the nearest available nonreserved parking space, if any, shall be temporarily designated as restricted under this paragraph. The cost of acquisition, installation and maintenance and operation of any signs or other regulatory devices used to designate such restricted areas shall be considered as a necessary expense for the regulation of parking and shall be paid from appropriations authorized by this section. Any such ordinance, by-law, order, rule or regulation promulgated pursuant to this paragraph shall contain a penalty of not less than $100 nor more than $300 and shall provide for the removal of a vehicle in accordance with section 22D. This penalty shall not be a surchargeable offense under section 113B of chapter 175.

Section 22B. Any city or town having installed parking meters or coin-operated locking devices for bicycle parking may acquire off-street parking areas and facilities by purchase, gift, eminent domain under chapter seventy-nine or chapter eighty A, by lease not to exceed five years, or otherwise, and may pay for such acquisition or lease, including the cost of policing, constructing or reconstructing, surfacing, operating and maintaining such areas and facilities, and including any debt together with interest thereon incurred for such acquisition, in whole or in part and pay for the removal of architectural barriers in public facilities in accordance with the provisions of section thirteen A of chapter twenty-two, from any receipts from said parking meters or such devices and may in each year transfer or pay into its general funds from said receipts a sum or sums in lieu of taxes for the year in question upon the average assessed valuation of said areas and facilities for the three years immediately prior to the date of said acquisition, determined by multiplying each one thousand dollars of such average valuation or fraction thereof by the tax rate set for said city or town for that year; provided, that the off-street parking areas and facilities are located not more than six hundred feet from a building in which the principal activity is business, commercial, manufacturing or industrial in character, and which building is in a business, commercial, manufacturing or industrial zone, but is not more than six hundred feet from the nearest parking meter of any group of not less than thirty parking meters approved by the department of highways, or are located not more than six hundred feet from a public beach area

Section 22C. Any city or town, having installed parking meters or coin-operated locking devices for bicycle parking under the provisions of section twenty-two A, may install parking meters in municipally owned or leased off-street parking lots and other devices for controlling such off-street parking lots, and may use any receipts from parking meters and other devices so installed for the purpose of purchase or lease of additional parking lots, the care and maintenance of the same, and in general for any traffic control or traffic safety purposes, including payment for public liability coverage in connection with the use of said municipally owned or leased parking lots.

WATER SURPLUS
General Laws Chapter 41, § 69B

Section 69B. The water commissioners, or the selectmen authorized to act as such, in a town establishing a water supply or water distributing system under authority of section thirty-nine A of chapter forty shall have exclusive charge and control of the water department and water system, subject to all lawful by-laws and to such instructions, rules and regulations as the town may from time to time impose by its vote. They may establish fountains and hydrants, may relocate or discontinue the same, may regulate the use of the water and fix and collect just and equitable prices and rates for the use thereof, and shall prescribe the time and manner of payment of such prices and rates. The income of the water works shall be appropriated to defray all operating expenses, interest charges and payments on the principal as they accrue upon any bonds or notes issued for the purpose of a municipal water supply. If in any fiscal year there should be a net surplus remaining after providing for the aforesaid charges for that fiscal year, such surplus, or so much thereof as may be necessary to reimburse the town for moneys theretofore paid on account of its water department, shall be paid into the town treasury. If in any fiscal year there should be a net surplus remaining after providing for the aforesaid charges and for the payment of any such reimbursement in full, such surplus may be appropriated for such new construction, extraordinary maintenance, or repairs, as the water commissioners, or selectmen authorized to act as such, with the approval of the town, may determine upon; and in case a net surplus should remain after payment for such new construction, extraordinary maintenance, or repairs, the water rates shall be reduced proportionately. Said commissioners, or the selectmen authorized to act as such, shall annually, and as often as the town may require, render a report upon the condition of the works under their charge, and an account of their doings, including an account of the receipts and expenditures.

The provisions of this section relative to the powers and duties of the water commissioners, or the selectmen acting as such, shall also apply to the commission, board or person having charge and control of the water department or water system of any city, town, or district established under special law, notwithstanding any contrary provision therein, upon the acceptance of this section by such city, town, or district.

LANDFILL CLOSURE RESERVE
General Laws Chapter 44, § 28C(f)

(f) Any city or town acting by and through the officer or officers, board, committee or other body authorized by law, if any, to fix, revise, charge and collect such fees and other charges, otherwise, acting by and through its chief executive officer, is hereby authorized to fix, revise, charge and collect fees and other charges for any facilities or services provided by such city or town as relate to the collection or disposal of solid waste. If a city or town has issued debt obligations under this section, the fees and other charges established as aforesaid shall be fixed and adjusted during any period when such debt obligations are outstanding so as to provide revenues at least sufficient (i) to pay the current expenses of operating and maintaining such facilities and services, (ii) to pay the principal or, premium, if any, and interest on all debt obligations issued by the city or town under this section as

the same become due and payable, (iii) to create and maintain such reserves as may be required by a resolution or agreement relating to the issuance of debt obligations hereunder, (iv) to provide funds for paying project costs and maintenance, repair, replacement and renewal costs related to any project financed with debt obligations issued hereunder and (v) to pay or provide for any and all amounts which the city or town may be obligated to pay by law or contract relating to such project. In addition such fees and charges shall be fixed and adjusted so as to provide revenues sufficient to pay any costs incurred by the city or town to clean up or prevent pollution caused by existing active or inactive landfills or other solid waste disposal facilities, including the operation and maintenance of such facilities, or to provide solid waste disposal facilities, including but not limited to the principal of, premium, if any, and interest on debt of the city or town issued pursuant to section seven or eight, and to provide funds for the estimated cost of closing any existing operating solid waste facility, which revenue and funds shall be held by the city or town in a separate fund or funds for subsequent appropriation for such purpose. Except as otherwise provided above, such fees and charges may be fixed and adjusted by each city or town to cover all or any part of the costs specified above. Cities and towns may collect and enforce by legal proceedings such fees and charges from persons liable therefor and in connection with such collection and enforcement cities and towns may employ all the powers and privileges granted to them by law with respect to any similar fee or other charge including but not limited to the powers and privileges granted cities and towns under the provisions of sections forty-two A to forty-two F, inclusive, of chapter forty and sections sixteen to sixteen F, inclusive, of chapter eighty-three.

TREATMENT OF MUNICIPAL REVENUES
General Laws Chapter 44, § 53

Section 53. All moneys received by any city, town or district officer or department, except as otherwise provided by special acts and except fees provided for by statute, shall be paid by such officers or department upon their receipt into the city, town or district treasury. Any sums so paid into the city, town or district treasury shall not later be used by such officer or department without specific appropriation thereof; provided, however, that (1) sums allotted by the commonwealth or a county to cities or towns for highway purposes and sums allotted by the commonwealth to cities, towns or districts for water pollution control purposes shall be available therefor without specific appropriation, but shall be used only for the purposes for which the allotment is made or to meet temporary loans issued in anticipation of such allotment as provided in section six or six A, (2) sums not in excess of twenty thousand dollars recovered under the terms of fire or physical damage insurance policy and sums not in excess of twenty thousand dollars received in restitution for damage done to such city, town or district property may be used by the officer or department having control of the city, town or district property for the restoration or replacement of such property without specific appropriation and (3) sums recovered from pupils in the public schools for loss of school books or paid by pupils for materials used in the industrial arts projects may be used by the school committee for the replacement of such books or materials without specific appropriation.

PARK AND RECREATION REVOLVING FUND
General Laws Chapter 44, § 53D

Section 53D. Notwithstanding the provisions of section fifty-three, any city or town which accepts the provisions of this section may establish in the city or town treasury a revolving fund which shall be kept separate and apart from all other monies by the treasurer and in which shall be deposited the receipts received in connection with the conduct of self-supporting recreation and park services of said city or town. The principal and interest thereon shall be expended at the direction of the authority, commission, board or official of such city or town with said responsibility without further appropriation, but only with the written approval of the mayor in cities, or city manager in Plan E cities, or the selectmen in towns, or in towns which have adopted the town manager form of government the town manager and only for the purpose of operating self-supporting recreation and park services. The city auditor or town accountant shall submit annually a report of said revolving fund to the mayor, city council, city manager, board of selectmen or town manager for their review and a copy of said report shall be submitted to the director of the bureau of accounts; provided, however, that funds in said revolving fund shall not be used for the purpose of paying any wages or salaries for full-time, as defined in the guidelines issued by the director of accounts, recreation and park employees; provided, further, that the unreserved fund balance shall not exceed ten thousand dollars at the close of each fiscal year and any such amount in excess of ten thousand dollars shall be paid into the city or town treasury as provided in section fifty-three.

A city or town which has accepted the provisions of this section may, in like manner, revoke its acceptance; provided, however, that any city or town may require by by-law or ordinance, that the provisions of this section may be subject to annual authorization by a vote of the annual town meeting or city council.

OFFSET RECEIPTS
General Laws Chapter 44, § 53E

Section 53E. Notwithstanding the provisions of section fifty-three, a city or town which accepts the provisions of this section may specify when making an appropriation for the annual ordinary operating costs of any agency, board, department or office of said city or town that such costs may be offset, in part or in the aggregate, by the estimated receipts from the fees charged to users of the services provided by such agency, board, department or office.

The use of such fees shall be limited to an amount not to exceed the actual amounts received during the previous fiscal year or such other estimated amount as may be approved, in advance of appropriation, by the commissioner of revenue or his designee, and which is based upon adequate documented material supporting such estimated amounts.

Receipts so allocated shall be deposited in a special account by the city or town treasurer or otherwise specifically identified and may be expended for the purpose allocated without further appropriation. Any balance in such accounts at the end of the fiscal year shall be deposited into the general treasury of the city or town.

Any deficit resulting from any city or town acting under the provisions of this section shall be reported by the auditor, accountant or other officer having similar duties, or by the treasurer if there be no such officer, to the assessors, who shall include the amount so reported in the aggregate appropriations to be assessed in the next subsequent annual tax levy, unless the city or town has provided funds to eliminate such deficit. Any deficit so incurred must be raised by taxation and shall be subject to all applicable provisions of chapter fifty-nine.

Each agency, board, department or office shall prepare an annual report of the change in cash balances in such entity which shall detail the cash receipts and disbursements for the year and shall be submitted to the mayor, city council, city manager, board of selectmen or town manager for their review and a copy of said report shall be submitted to the director of the bureau of accounts. Such report shall be prepared and submitted within forty-five days after the close of the fiscal year.

All such sums, so allocated, shall be treated as amounts voted from available funds for the purpose of deduction in accordance with the provisions of section twenty-three of chapter fifty-nine. All amounts voted from available funds shall be itemized in a schedule, on a form approved by the commissioner of revenue, prepared by the city or town clerk and included with the submission for approval of the tax rate by the commissioner of revenue as provided in section twenty-three of chapter fifty-nine. The assessors shall further attest, on said schedule, that the receipts itemized therein have not been included in any other deduction from the gross amounts to be raised.

DEPARTMENTAL REVOLVING FUND
General Laws Chapter 44, § 53E½

Section 53E½. Notwithstanding the provisions of section fifty-three, a city or town may annually authorize the use of one or more revolving funds by one or more municipal agency, board, department or office which shall be accounted for separately from all other monies in such city or town and to which shall be credited only the departmental receipts received in connection with the programs supported by such revolving fund. Expenditures may be made from such revolving fund without further appropriation, subject to the provisions of this section; provided, however, that expenditures shall not be made or liabilities incurred from any such revolving fund in excess of the balance of the fund nor in excess of the total authorized expenditures from such fund, nor shall any expenditures be made unless approved in accordance with sections forty-one, forty-two, fifty-two and fifty-six of chapter forty-one.

Interest earned on any revolving fund balance shall be treated as general fund revenue of the city or town. No revolving fund may be established pursuant to this section for receipts of a municipal water or sewer department or of a municipal hospital. No such revolving fund may be established if the aggregate limit of all revolving funds authorized under this section exceeds ten percent of the amount raised by taxation by the city or town in the most recent fiscal year for which a tax rate has been certified under section twenty-three of chapter fifty-nine. No revolving fund expenditures shall be made for the purpose of paying

any wages or salaries for full time employees unless such revolving fund is also charged for the costs of fringe benefits associated with the wages or salaries so paid; provided, however, that such prohibition shall not apply to wages or salaries paid to full or part-time employees who are employed as drivers providing transportation for public school students; provided further, that only that portion of a revolving fund which is attributable to transportation fees may be used to pay such wages or salaries and provided, further, that any such wages or salaries so paid shall be reported in the budget submitted for the next fiscal year.

A revolving fund established under the provisions of this section shall be by vote of the annual town meeting in a town, upon recommendation of the board of selectmen, and by vote of the city council in a city, upon recommendation of the mayor or city manager, in Plan E cities, and in any other city or town by vote of the legislative body upon the recommendation of the chief administrative or executive officer. Such authorization shall be made annually prior to each respective fiscal year; provided, however, that each authorization for a revolving fund shall specify: (1) the programs and purposes for which the revolving fund may be expended; (2) the departmental receipts which shall be credited to the revolving fund; (3) the board, department or officer authorized to expend from such fund; (4) a limit on the total amount which may be expended from such fund in the ensuing fiscal year; and, provided, further, that no board, department or officer shall be authorized to expend in any one fiscal year from all revolving funds under its direct control more than one percent of the amount raised by taxation by the city or town in the most recent fiscal year for which a tax rate has been certified under section twenty-three of chapter fifty-nine.

Notwithstanding the provisions of this section, whenever, during the course of any fiscal year, any new revenue source becomes available for the establishment of a revolving fund under this section, such a fund may be established in accordance with this section upon certification by the city auditor, town accountant, or other officer having similar duties, that the revenue source was not used in computing the most recent tax levy.

In any fiscal year the limit on the amount that may be spent from a revolving fund may be increased with the approval of the city council and mayor in a city, or with the approval of the selectmen and finance committee, if any, in a town; provided, however, that the one percent limit established by clause (4) of the third paragraph is not exceeded.

The board, department or officer having charge of such revolving fund shall report to the annual town meeting or to the city council and the board of selectmen, the mayor of a city or city manager in a Plan E city or in any other city or town to the legislative body and the chief administrative or executive officer, the total amount of receipts and expenditures for each revolving fund under its control for the prior fiscal year and for the current fiscal year through December thirty-first, or such later date as the town meeting or city council may, by vote determine, and the amount of any increases in spending authority granted during the prior and current fiscal years, together with such other information as the town meeting or city council may by vote require.

At the close of a fiscal year in which a revolving fund is not reauthorized for the following year, or in which a city or town changes the purposes for which money in a revolving fund may be spent in the following year, the balance in the fund at the end of the fiscal year shall revert to surplus revenue unless the annual town meeting or the city council and mayor or city manager in a Plan E city and in any other city or town the legislative body vote to transfer such balance to another revolving fund established under this section.

The director of accounts may issue guidelines further regulating revolving funds established under this section.

ENTERPRISE FUND
General Laws Chapter 44, § 53F½

Section 53F1/2. Notwithstanding the provisions of section fifty-three or any other provision of law to the contrary, a city or town which accepts the provisions of this section may establish a separate account classified as an "Enterprise Fund", for a utility, health care, recreational or transportation facility, and its operation, as the city or town may designate, hereinafter referred to as the enterprise. Such account shall be maintained by the treasurer, and all receipts, revenues and funds from any source derived from all activities of the enterprise shall be deposited in such separate account. The treasurer may invest the funds in such separate account in the manner authorized by sections fifty-five and fifty-five A of chapter forty-four. Any interest earned thereon shall be credited to and become part of such separate account. The books and records of the enterprise shall be maintained in accordance with generally accepted accounting principles and in accordance with the requirements of section thirty-eight.

No later than one hundred and twenty days prior to the beginning of each fiscal year, an estimate of the income for the ensuing fiscal year and a proposed line item budget of the enterprise shall be submitted to the mayor, board of selectmen or other executive authority of the city or town by the appropriate local entity responsible for operations of the enterprise. Said board, mayor or other executive authority shall submit its recommendation to the town meeting, town council or city council, as the case may be, which shall act upon the budget in the same manner as all other budgets.

The city or town shall include in its tax levy for the fiscal year the amount appropriated for the total expenses of the enterprise and an estimate of the income to be derived by the operations of the enterprise. If the estimated income is less than the total appropriation, the difference shall be added to the tax levy and raised by taxation. If the estimated income is more than the total appropriation, the excess shall be appropriated to a separate reserve fund and used for capital expenditures of the enterprise, subject to appropriation, or to reduce user charges if authorized by the appropriate entity responsible for operations of the enterprise. If during a fiscal year the enterprise incurs a loss, such loss shall be included in the succeeding fiscal year's budget.

If during a fiscal year the enterprise produces a surplus, such surplus shall be kept in such separate reserve fund and used for the purposes provided therefor in this section.

For the purposes of this section, acceptance in a city shall be by vote of the city council and approval of the mayor, in a town, by vote of a special or annual town meeting and in any other municipality by vote of the legislative body.

A city or town which has accepted the provisions of this section with respect to a designated enterprise may, in like manner, revoke its acceptance.

WASTEWATER DISPOSAL RECEIPTS
General Laws Chapter 83, § 1G

Section 1G. Notwithstanding the provisions of any general or special law to the contrary, a municipality with a comprehensive water resources management plan under review or approved by the department of environmental protection may establish and maintain a separate account into which it may collect and deposit and expend funds from property owners for the difference in cost between a conventional subsurface wastewater disposal system as required in 310 CMR 15.00, et seq, and the cost of a subsurface wastewater disposal system designed to reduce the nitrogen discharge from said system as long as the property in question is identified in the CWMP as being a priority for the installation of a wastewater collection and treatment system for the purposes of reducing the impacts of excessive nitrogen on marine waters and drinking water supplies. Funds from this account may be used only for the purpose of the construction, maintenance and operation of said wastewater treatment and collection works and shall be applied to the costs of connection and or betterment assessed to the property in question.

MASSACHUSETTS DEPARTMENT OF REVENUE
DIVISION OF LOCAL SERVICES
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MITCHELL ADAMS
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(617) 727-2300
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July 1, 1994

Michael C. Wood
Town Administrator
Town Hall
Nahant, MA 01908

Re: Municipal Golf Course - Financing Options
Our File No. 94-150

Dear Mr. Wood:

This is in reply to your letter requesting information with respect to the accounting and funding options available in the municipal finance laws for a municipally owned golf course.

As we understand the facts, a town-owned golf course is currently operated by a private management company under a contract that allows the management company to retain as compensation all greens fees and other regular receipts derived from the golf course operation. The contract also requires that an annual sum of $35,000 be paid to the town in installments pro-rated over the course of the year. This contractual arrangement is scheduled to expire on September 30, 1994 without renewal. Finally, while the pro-rated payments to the town for the months of July, August and September of 1994 have been factored into estimated receipts and the budget for fiscal year 1995, it is indicated that no regular golf course operational receipts (e.g., greens fees, cart rentals, etc.)for the period from October 1, 1994 through June 30, 1995 have as yet been considered in the budget process.

As with any town program or service, the most basic funding mechanism is a straight forward appropriation from general revenue for the anticipated expenses of operation, which in this situation would encompass a nine-month period. In this case, regular receipts of the golf course operation

during fiscal year 1995 (nine months only) would be taken into estimated receipts to support expenditures. Regardless of the amount and sufficiency of the receipts, full spending authority to the extent of the appropriated amount would be available for expenditure to support the golf course operation from Octobert 1, 1994 through June 30, 1995. Given the town's uncertainty as to the receipts that will be generated in the initial nine-month period, the risk is that an operating deficit could result which would have to be funded in the next ensuing fiscal year. Accordingly, a thorough analysis of projected revenues and expenses would be most important.

G. L. Chapter 44, Section 53E, the "Offset Receipts" provision, may provide another option for addressing the golf course budget. Simply speaking, it allows for the direct appropriation and presentation of the golf course budget from the anticipated receipts of the course operations. If the authorized expenditures exceed the revenues received, an "offset receipts deficit" must be automatically raised in the ensuing year's budget. The offset receipts provision must be accepted by town meeting in order to be utilized. While in most circumstances the offset receipts arrangement must be voted at annual town meeting due to the scope of its operation (i.e., for the "annual ordinary operating costs" of the program), this provision may be available in the circumstances presented as the town is, in actuality, addressing the town's full budget for the golf course in fiscal year 1995.

G.L. Chapter 40, Section 5F provides an alternative funding mechanism for certain activities. Section 5F allows for a "Receipts Reserved for Appropriation" account relative to:

> ...establishing, maintaining, and equiping public gymnasiums, swimming pools, bathing beaches, <u>golf courses</u>, artificial ice-skating rinks and other <u>such</u> means of recreation, instruction or exercise. (Emphasis added.)

Under authority of Section 5F, funds may be accumulated without reverting to general revenue during the course of or

at the conclusion of the fiscal year, and to the extent of the balances accumulated therein, be appropriated at any time in support of the particular program, service or activity. If the town selected this procedure, the revenues of the golf course in the initial year of town management could be "saved" or "reserved" to provide a funding source for subsequent operations. Of course, the primary problem with implementing a "receipts reserved for appropriation" system under Section 5F is that the town must forego use of any of the receipts received in the first year and fund current operations from other available funding sources. Moreover, in this situation, nine months of receipts may not provide the full measure of funds needed to operate in the full, subsequent fiscal year.

Two "Revolving Fund" provisions may also be available for use in connection with the operation of the golf course, depending upon the circumstances. Generally, under a revolving fund system, particular receipts are segregated and are immediately available for expenditure by the department to conduct the program or activity without the need for the specific allocation of such funds through the regular appropriation process. It must be noted, however, that each of the statutory revolving fund provisions contains certain limitations and restrictions. The first revolving fund provision is G.L. Chapter 44, Section 53D, the so-called "Park and Recreation Revolving Fund" provision. If accepted by the town, Section 53D authorizes a revolving fund arrangement for self-supporting recreation and park services. While there would be no dollar limit on the amounts that may be expended from this account in support of the golf course, Section 53D does include a prohibition upon paying the wages or salaries of full-time town employees from the revolving fund. For your further consideration, I have enclosed a copy of Section 53D.

The other revolving fund provision that might be utilized is G. L. Chapter 44, Section 53E1/2, the so-called "Departmental Revolving Fund." This revolving fund must be initiated and annually reapproved by town meeting for a particular service or program. If voted, the program receipts are directly credited to the revolving fund for

expenditure without additional appropriation to support the particular program or service. As mentioned, a Section 53E1/2 revolving fund must be reauthorized by town meeting on an annual basis. Also, when voting this revolving fund, town meeting must set an initial limit on expenditures from the fund. This initial limit is subject to adjustment by the selectmen and finance committee during the course of the year. This revolving fund also contains a prohibition upon expenditures from the fund for payment of wages or salaries of full-time town employees. To the extent that these revolving fund provisions are considered for the golf course, it may be preferable to vote them for a full fiscal year. In fact, the Section 53E1/2 revolving fund may only be voted at annual town meeting.

The final provision I should mention with respect to a golf course operation is G. L. Chapter 44, Section 53F1/2, the "Enterprise Fund" statute. Section 53F1/2 provides for a comprehensive budgeting and accounting structure for the operation of, among other things, recreational facilities. As the enterprise fund system is more complex than the options mentioned above, careful thought should go into its selection. For this reason, I am including a recent publication with respect to the enterprise fund provision.

The foregoing summarizes, in a general way, the financing and accounting options that may be considered with regard to the operation of a municipally owned golf course. The additional, enclosed written materials provide more detail with respect to these provisions. I hope this information proves helpful. If I may be of any additional assistance, please do not hesitate to contact me.

Very truly yours,

Harry M. Grossman
Chief, Property Tax Bureau

Enclosures

Massachusetts Department of Revenue *Division of Local Services*
Navjeet K. Bal, Commissioner Robert G. Nunes, Deputy Commissioner & Director of Municipal Affairs

Bureau of Accounts Informational Guideline Release 08-101

Enterprise Funds G.L. c. 44, § 53F½

April 2008

Visit our website at www.mass.gov/dls

Informational Guideline Release

Bureau of Accounts
Informational Guideline Release (IGR) No. 08-101
April 2008

Supersedes June 2002 Enterprise Fund Manual
and
Any Prior Written Inconsistent Statements

ENTERPRISE FUNDS

(G. L. c. 44, § 53F½)

This Informational Guideline Release provides guidance for local officials on the use of an enterprise fund to separately account for certain municipal services provided to individual customers for a charge in a manner similar to private business.

Topical Index Key:

Accounting Policies and Procedures
Special Funds

Distribution:

Accountants/Auditors
Mayors/Selectmen
City/Town Managers
Finance Directors
Finance Committees
Treasurers
City Solicitors/Town Counsels

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ENTERPRISE FUNDS

(G. L. c. 44, § 53F½)

These guidelines provide guidance to local officials on the use of an enterprise fund under G.L. c. 44, § 53F½ to separately account for municipal services of a proprietary nature, *i.e.*, those services provided to individual customers for a charge in a manner similar to private business.

The guidelines prescribe uniform accounting standards for enterprise fund revenues and expenditures. They also set forth the policies that apply to the review of enterprise budgets for tax rate setting purposes. G.L. c. 44, §§ 38 and 43; c. 59, § 23.

These standards and policies are effective as of June 30, 2008 and supersede those found in the June 2002 Enterprise Fund manual and any prior written inconsistent publications or statements.

BUREAU OF ACCOUNTS GERARD D. PERRY, DIRECTOR

SIGNIFICANT RULE CHANGES

The following are significant rule changes incorporated in these guidelines. Their effective date is June 30, 2008.

- *Use of retained earnings.* Retained earnings may be appropriated to:

  1. fund direct costs of the enterprise for the current fiscal year;
  2. fund costs appropriated in the General Fund operating budget and allocated to the enterprise for the current fiscal year;
  3. reimburse to the General or other fund for subsidized capital costs of the enterprise not already reimbursed for the two full, immediately prior, fiscal years.

- *Reporting of a retained earnings reimbursement.* Retained earnings appropriated specifically to reimburse the General Fund for subsidized capital costs should not be reported on page 4 of the Tax Rate Recap (similar to a vote from free cash to reduce the tax rate) or on Schedule A-2. Instead, the amount should be reported in Part IIID, line 4 of the Tax Rate Recap. If so reported, city/town Clerks are advised to provide a copy of the vote to the Bureau of Accounts for tax rate certification purposes.

- *Funding a retained earnings deficit.* A retained earnings deficit for the period ending June 30 must be reported and funded in the next fiscal year's tax rate. A community no longer needs to report and fund an enterprise fund revenue deficit. A retained earnings deficit must be raised from the tax levy as a General Fund subsidy unless the community:

  1. appropriates from the General or other applicable fund specifically for the purpose of funding the deficit; or
  2. increases enterprise estimated revenues above the amount appropriated for enterprise direct and indirect expenses, provided the additional estimated revenues can be properly supported.

- *Indirect cost allocation methodology.* The Bureau recommends that every community with an enterprise fund establish a written, internal policy regarding indirect cost allocation and should review this policy annually. The policy should be reasonable and calculated in a fair and consistent basis. Local financial officials should understand and agree on what indirect costs are appropriated as part of the General Fund operating budget and what percentage of these costs should be allocated to the enterprise fund.

  The Director of Accounts may reject any community's methodology, written or otherwise, as unreasonable for tax rate setting purposes.

- *Appropriation for indirect costs.* Indirect costs are generally appropriated as part of the General Fund operating budget and are allocated to the enterprise fund as reported on Schedule A-2. Do not appropriate these costs in both the General Fund operating budget and in the enterprise fund budget. Local financial officials may wish to show the public all costs of the enterprise fund, but should not duplicate their appropriation. Therefore, reporting of enterprise fund estimated receipts on page 3 of the Tax Rate Recap to offset any duplication should no longer be necessary.

- In the Bureau of Accounts' FY2007 end-of-year letter, the Bureau advised that "should a fund balance deficit occur as of June 30, 2007 and as of June 30, 2008 (two consecutive years), General Fund free cash as of June 30, 2008 will be reduced by the enterprise fund deficit balance." The policy has been revised and a General Fund reduction will not occur.

INTRODUCTION

BRIEF HISTORY

The enterprise fund statute, G.L. c.44, § 53F½, was initially enacted in 1986 (see Appendix A). Before then, communities used special revenue funds authorized by various general laws or special acts to separately account for their business type services. These special revenue funds were limited, however, with regard to the services and costs covered. The funds were most commonly authorized for water, gas and electric utility departments and used primarily to account for annual operating costs, not the indirect costs, capital improvements or fixed assets of the service.

WHAT IS AN ENTERPRISE FUND

An enterprise fund gives communities the flexibility to account separately for all financial activities associated with a broad range of municipal services. It establishes a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. Revenues and expenses of the service are segregated into a fund with financial statements separate from all other governmental activities. (See Uniform Massachusetts Accounting System (UMAS) chapter 12 for more information including illustrative journal entries).

WHY ADOPT AN ENTERPRISE FUND

A community may account for certain services in the General Fund, special revenue or enterprise fund. Advantages of an enterprise fund include that it:

- Identifies a total service cost – Consolidating direct operating, direct capital, and indirect costs (*e.g.*, enterprise-related costs appropriated in the General Fund operating budget) helps a community to readily identify a total service cost and determine funding sources. The total service cost may also include a subsidy from the General or other fund or a reimbursement from the enterprise fund to other funds for subsidized costs incurred in the two full, immediately prior fiscal years.

- Provides useful management information – Consolidating revenues, expenses and operating performance of the fund provides a community with useful decision making information regarding user charges and fees and a subsidy if necessary. The community can also include the enterprise fixed assets and infrastructure as assets and recognize the annual depreciation of these assets in audited financial statements.

- Retains investment income and surplus – All investment earnings and any operating surplus (actual revenues in excess of estimates and appropriations in excess of expenses) are retained in the enterprise fund rather than closed to the General Fund at fiscal year-end. Surplus certified by the Director of Accounts as available is called "retained earnings". Retained earnings require appropriation by the community's legislative body and have certain other use restrictions as will be noted in these guidelines.

What Governmental Entity May Adopt Enterprise Fund Accounting

Only Massachusetts cities and towns may adopt an enterprise fund pursuant to G.L. c.44, § 53F½. Regional school, vocational-technical school and/or special purpose districts may not adopt an enterprise fund, unless permitted by special legislation.

For What Services Can A Community Adopt An Enterprise Fund

Enterprise funds may be established, "for a utility, health care, recreational or transportation facility." Examples include:

- Public utilities – water, sewer, trash disposal;
- Health care – ambulance service, nursing homes;
- Recreation – skating rinks, pools, golf courses; and
- Transportation – airports, dock and wharf facilities.

A community may not establish enterprise funds for normal government operations or services such as public safety, inspectional services or cemeteries.

ADOPTING AN ENTERPRISE FUND

A city or town may adopt an enterprise fund by vote of the legislative body, subject to the local charter. Each enterprise fund must be adopted separately with its own vote. This allows the legislative body to identify and evaluate each enterprise on its own merits.

The following is sample language to adopt an enterprise fund.

> "To see if the (city or town) will accept the provisions of Chapter 44, § 53F½ of the Massachusetts General Laws establishing (the service) as an enterprise fund effective fiscal year (year)."

The language of the vote should clearly state what the service is and when the fund will commence. The Bureau of Accounts recommends that commencement begin at the start of a fiscal year. If a commencement date is absent, the Bureau recommends that the enterprise commence on the following July 1. However, the Bureau will allow an enterprise fund to commence after July 1 if adopted after July 1, but prior to Bureau certification of the tax rate. After that time, commencement of an enterprise fund must be deferred to July 1 of the next fiscal year.

Once adopted, the community begins the process of establishing the separate fund on its accounting records and identifying the assets (capital items and infrastructure), liabilities and equity in other funds if voted by the legislative body to be transferred to the enterprise fund.

The community must operate the enterprise fund for a minimum of three years before the provisions may be rescinded like any local adoption law.

THE ENTERPRISE FUND BUDGET

The entity responsible for operating the enterprise must submit to the local executive authority a proposed line item budget "no later than one hundred and twenty days prior to the beginning of each fiscal year" (March 1). The budget is submitted to the community's executive authority by the entity responsible for operation of the enterprise like any other departmental request for review and appropriation. When preparing the budget, revenue sources and appropriations must be clearly stated in detail and enterprise-related costs already included for appropriation in the General Fund operating budget must not be included for appropriation in the enterprise fund budget.

The mayor or other executive authority makes a recommendation to the appropriate city/town legislative authority for approval. The finance committee may also make a similar recommendation.

The budget is subject to the appropriation process. Any transfers among the enterprise fund's line-item appropriations require further legislative body action or the alternative method if during the last two months of any fiscal year. See Informational Guideline Release No. 06-209, *Appropriation Transfers*.

REVENUES OF AN ENTERPRISE FUND

Revenues may be appropriated by the community's legislative body until the tax rate is certified by the Bureau of Accounts. An increase in estimated revenues above prior fiscal year actual revenues must be supported in writing to the Bureau of Accounts using rate analysis, usage data, new rate implementation dates, etc., for tax rate certification purposes. Any surplus is kept by the enterprise fund at fiscal year-end.

- *User charges and fees* are amounts paid by those who use the service. These include late charges, fees and interest incurred in the collection process.
- *Other departmental revenue* includes state funding (Sewer Rate Relief), grants (Massachusetts Water Pollution Abatement Trust), a bond anticipation note premium or bond premium, apportioned or unapportioned betterments and special assessments.
- *Investment income* is interest earned by the fund and is retained in the fund rather than closed to the General Fund.

AVAILABLE FUNDS OF AN ENTERPRISE FUND

The following available funds may be appropriated by the community's legislative body at any time during the fiscal year if available. Other available funds may be allowed by special legislation.

- *Estimated sewer assessments* pursuant to G.L. c. 83, § 15B;
- *Closing and post-closing funds reserved for an existing operating solid waste facility* pursuant to G.L. c.44, § 28C;

- *Special purpose article(s),* the unspent and unencumbered balance, as voted by the community's legislative body;

- *Budgeted surplus*, the excess of budgeted estimated revenues and appropriated enterprise available funds over (a) direct operating and capital cost appropriations and (b) indirect cost appropriations in the General Fund operating budget allocated to the enterprise. This surplus may be appropriated to the enterprise fund budget and may be further appropriated for current enterprise operating and/or capital costs only, from July 1 to June 30. Any unspent balance closes to the enterprise fund at fiscal year-end.

  Note: If budgeted surplus has been appropriated to the enterprise fund budget as indicated above and if retained earnings are subsequently certified in deficit, the appropriation of the budgeted surplus, if sufficient at that time, may be rescinded or appropriated directly by the legislative body to help fund the retained earnings deficit.

- *Retained Earnings*, the portion of Net Assets Unrestricted that is certified by the Bureau of Accounts as available for appropriation. Certification requires submission of a June 30 balance sheet accompanied by all information necessary to calculate free cash in the General Fund. Once certified, retained earnings may be appropriated through the following June 30 and no appropriation may be in excess of the certified amount.

  Retained earnings may be appropriated to:

  1. fund direct costs of the enterprise for the current fiscal year;
  2. fund costs appropriated in the General Fund operating budget and allocated to the enterprise for the current fiscal year;
  3. reimburse to the General or other fund for subsidized capital costs of the enterprise not already reimbursed for the two full, immediately prior, fiscal years.

  Retained earnings appropriated specifically to reimburse the General Fund for subsidized capital costs as indicated above, should not be reported on page 4 of the Tax Rate Recap (similar to a vote from free cash to reduce the tax rate) or on Schedule A-2. Instead, the amount should be reported in Part IIID, line 4 of the Tax Rate Recap. If so reported, city/town Clerks are advised to provide a copy of the vote to the Bureau of Accounts for tax rate certification purposes.

  A retained earnings deficit for the period ending June 30 (see Appendix B) must be reported and funded in the next fiscal year's Tax Rate Recap. A community no longer needs to report and fund an enterprise fund revenue deficit. A community has the following options for reporting and funding a retained earnings deficit:

  1. report an appropriation made by the legislative body from the General or other applicable fund specifically to fund the deficit;
  2. report the deficit in part 3 of Schedule A-2 and Part IIB, line 6, of the Tax Rate Recap, as an Other Amount to be Raised, and report on Schedule A-2 and the Tax Rate Recap enterprise estimated revenues above the amount appropriated for direct and indirect expenses, provided the estimated revenues can be properly supported.
  3. report the deficit in part 3 of the Schedule A-2 and Part IIB, line 6, of the Tax Rate Recap, and raise it from the tax levy as a General Fund subsidy.

  In the Bureau of Accounts FY2007 end-of-year letter, the Bureau advised that "should a fund balance deficit occur as of June 30, 2007 and as of June 30, 2008 (two consecutive years), the General Fund free cash as of June 30, 2008 will be reduced by the enterprise fund deficit balance." This policy has been revised and a General Fund reduction will not occur.

Expenses Of An Enterprise Fund

All costs of operating the enterprise must be identified (see *Costing Municipal Services: Workbook and Case Study* at www.mass.gov/dls). However, costs funded by other than the enterprise fund or General Fund are not reported on Schedule A-2. Any surplus due to unspent appropriations as of June 30 is kept by the enterprise fund.

- *Salaries and Wages,* appropriated in and incurred directly by the enterprise for the enterprise employees.

- *Expenses,* appropriated in and incurred directly by the enterprise for operating expenses and contractual payments.

- *Capital Outlay,* capital expenses such as construction or major repairs, equipment or acquisitions. While these capital expenses may be reviewed and recommended centrally by a capital planning committee, they should be appropriated apart from General Fund capital expenditures.

- *Extraordinary and Unforeseen,* expenses that may be appropriated by the legislative body which may also impose any condition(s) for their use. Such conditions offer the community better control and accountability over their use. Any unspent balance closes to the enterprise fund at fiscal year-end. This is similar to a Reserve Fund.

- *Other,* may include employee benefits such as health and life insurance, unemployment insurance and pension costs or may include debt service. These expenses may be budgeted in the enterprise fund or in the General Fund operating budget.

- *Indirect costs*, most oftentimes appropriated as part of the General Fund operating budget and allocated to the enterprise fund, cannot be directly or exclusively assigned to one service. For example, the collector, whose salary is paid by the General Fund, may process enterprise user bill payments.

  The Bureau recommends that every community with an enterprise fund establish a written, internal policy regarding indirect cost allocation and should review this policy annually. The policy should be reasonable and calculated on a fair and consistent basis. Local financial officials should understand and agree on what indirect costs are appropriated as part of the General Fund operating budget and what percentage of these costs should be allocated to the enterprise fund.

  The Director of Accounts may reject any community's methodology, written or otherwise, as unreasonable for tax rate setting purposes.

  Once appropriated in the General Fund operating budget, indirect costs are allocated to the enterprise fund as reported on Schedule A-2. Do not appropriate these costs in both the General Fund operating budget and in the enterprise fund budget. Local financial officials may wish to show the public all costs of the enterprise fund, but should not duplicate their appropriation. Therefore, reporting of enterprise fund estimated receipts on page 3 of the Tax Rate Recap to offset any duplication should no longer be necessary.

BALANCING AN ENTERPRISE BUDGET

The budget for the enterprise must be balanced with combined revenues and available funds being sufficient to cover the proposed total service cost. As depicted in Table 1 below, an enterprise fund may be balanced in one of three ways: 1) it may be budgeted as self-sufficient; 2) it may have a budgeted surplus; or 3) it may have a budgeted subsidy.

Table 1: Three Scenarios for an Enterprise Budget

Budgeted Self-Sufficient	Budgeted Surplus	Budgeted Subsidy
Estimated Revenues = Budget	Estimated Revenues > Budget	Budget > Estimated Revenues
The enterprise fund estimated revenues are sufficient to cover the budget of the service.	The enterprise fund estimated revenues exceed the budget. The difference may be appropriated to an enterprise budgeted surplus or may reflect a reimbursement to the General Fund to provide for a retained earnings deficit in the prior fiscal year. Otherwise, enterprise revenues must be reduced to the level of direct appropriations and indirect appropriations allocated to the enterprise prior to setting the tax rate. At fiscal year-end, any unspent balance in budgeted surplus stays with the enterprise.	The enterprise fund estimated revenues are below the budgeted amount. This budgeted subsidy must be provided by the General Fund (*i.e.,* tax levy, free cash, etc.) or other funding source voted by the legislative body.

Table 2 below depicts three examples of presenting an enterprise budget and how each is balanced. In the second column, the budgeted surplus must be first appropriated into the enterprise fund budget and can be further appropriated by the legislative body. In the third column, the budgeted subsidy must be appropriated by the legislative body.

TABLE 2: BUDGET PRESENTATION EXAMPLES

Budgeted Self-Sufficient		Budgeted Surplus		Budgeted Subsidy	
Estimated Revenues		Estimated Revenues		Estimated Revenues	
User fees	$500,000	User fees	$575,000	User fees	$340,000
Betterments	25,000	Betterments	25,000	Betterments	25,000
Investment income	14,000	Investment income	14,000	Investment income	14,000
Subtotal:	$539,000	Subtotal:	$614,000	Subtotal:	$379,000
Retained Earnings	50,000	Retained Earnings	50,000	Retained Earnings	50,000
Total:	$589,000	Total:	$664,000	Total:	$429,000
Budget		Budget		Budget	
Direct		Direct		Direct	
Salaries	$254,000	Salaries	$254,000	Salaries	$254,000
Expenses	8,000	Expenses	8,000	Expenses	8,000
Capital outlay	125,000	Capital outlay	125,000	Capital outlay	125,000
Debt	45,000	Debt	45,000	Debt	45,000
Extra/Unforeseen	10,000	Extra/Unforeseen	10,000	Extra/Unforeseen	10,000
Subtotal:	$442,000	Subtotal:	$442,000	Subtotal:	$442,000
Indirect		Indirect		Indirect	
Health insurance	$61,000	Health insurance	$61,000	Health insurance	$61,000
FICA	3,000	FICA	3,000	FICA	3,000
Pensions	29,000	Pensions	29,000	Pensions	29,000
Accounting dept.	15,000	Accounting dept.	15,000	Accounting dept.	15,000
Collecting dept.	32,000	Collecting dept.	32,000	Collecting dept.	32,000
Treasury dept.	7,000	Treasury dept.	7,000	Treasury dept.	7,000
Subtotal:	$147,000	Subtotal:	$147,000	Subtotal:	$147,000
Total:	$589,000	Total:	$589,000	Total:	$589,000
Surplus/(deficit)	$0	Surplus/(deficit)	$75,000	Surplus/(deficit)	($160,000)
		Budgeted Surplus	$75,000	Budgeted Subsidy	$160,000

ADOPTING AN ENTERPRISE BUDGET

In Table 3, indirect costs will be appropriated as part of the city or town's General Fund operating budget. In the second column, a budgeted surplus has been appropriated to the enterprise fund. In the third column, a budgeted subsidy is being provided for by the General Fund. Note in this example that although reflected as direct enterprise costs, debt and capital outlay expenses may be either direct or indirect.

TABLE 3: BUDGET RECOMMENDATION WORDING

Budgeted Self-Sufficient		Budgeted Surplus		Budgeted Subsidy	
Recommend that the following sums be appropriated to operate the _____ enterprise:		Recommend that the following sums be appropriated to operate the _____ enterprise:		Recommend that the following sums be appropriated to operate the _____ enterprise:	
Direct		Direct		Direct	
Salaries	$254,000	Salaries	$254,000	Salaries	$254,000
Expenses	8,000	Expenses	8,000	Expenses	8,000
Capital outlay	125,000	Capital outlay	125,000	Capital outlay	125,000
Debt	45,000	Debt	45,000	Debt	45,000
Extra/Unforeseen	10,000	Extra/Unforeseen	10,000	Extra/Unforeseen	10,000
Budgeted surplus	0	Budgeted surplus	75,000	Budgeted surplus	0
Subtotal:	$442,000	Subtotal:	$517,000	Subtotal:	$442,000
Indirect		Indirect		Indirect	
Health insurance	$61,000	Health insurance	$61,000	Health insurance	$61,000
FICA	3,000	FICA	3,000	FICA	3,000
Pensions	29,000	Pensions	29,000	Pensions	29,000
Accounting dept	15,000	Accounting dept	15,000	Accounting dept	15,000
Collecting dept.	32,000	Collecting dept.	32,000	Collecting dept.	32,000
Treasury dept.	7,000	Treasury dept.	7,000	Treasury dept.	7,000
Subtotal:	$147,000	Subtotal:	$147,000	Subtotal:	$147,000
Total:	$589,000	Total:	$664,000	Total:	$589,000
$392,000 from enterprise revenues; $50,000 from retained earnings;		$467,000 from enterprise revenues; $50,000 from retained earnings;		$379,000 from enterprise revenues; $50,000 from retained earnings; $10,000 from the tax levy; $3,000 from free cash;	
$147,000 to be raised and appropriated in the General Fund operating budget and allocated to the enterprise fund for funding. *(Do not duplicate this appropriation in the enterprise fund budget.)*		$147,000 to be raised and appropriated in the General Fund operating budget and allocated to the enterprise fund for funding. *(Do not duplicate this appropriation in the enterprise fund budget.)*		$147,000 to be raised and appropriated in the General Fund operating budget. *(Do not duplicate this appropriation in the enterprise fund budget.)*	

When the municipal legislative body approves the enterprise budget, the vote should include the direct department appropriations only (see Table 4). Note that $147,000 of costs has already been included for appropriation in the General Fund's operating budget.

TABLE 4: BUDGET ORDER/ARTICLE WORDING

Budgeted Self-Sufficient	Budgeted Surplus	Budgeted Subsidy
Order/Article: To see if the community will vote to raise and appropriate or transfer from available funds a sum of money to operate the ___ enterprise or take any other action thereon.	Order/Article: To see if the community will vote to raise and appropriate or transfer from available funds a sum of money to operate the ___ enterprise or take any other action thereon.	Order/Article: To see if the community will vote to raise and appropriate or transfer from available funds a sum of money to operate the ___ enterprise or take any other action thereon.
Voted: That the following sums be appropriated for the ___ enterprise.	Voted: That the following sums be appropriated for the ___ enterprise.	Voted: That the following sums be appropriated for the ___ enterprise.
Salaries $254,000 Expenses 8,000 Capital outlay 125,000 Debt 45,000 Extra/Unforeseen 10,000 Total: $442,000	Salaries $254,000 Expenses 8,000 Capital outlay 125,000 Debt 45,000 Extra/Unforeseen 10,000 Budgeted surplus 75,000 Total: $517,000	Salaries $254,000 Expenses 8,000 Capital outlay 125,000 Debt 45,000 Extra/Unforeseen 10,000 Total: $442,000
and that $442,000 be raised as follows:	and that $517,000 be raised as follows:	and that $442,000 be raised as follows:
Department receipts $392,000 Retained Earnings 50,000	Department receipts $467,000 Retained Earnings 50,000	Department receipts $379,000 Retained Earnings 50,000 Tax levy 10,000 Free cash 3,000

Reporting on Schedule A-2 And The Tax Rate Recap Forms

Enterprise fund actual and estimated revenues, direct and indirect appropriations, retained earnings deficit from the prior fiscal year and funding sources for direct enterprise appropriations are reported on Schedule A-2 (see Tables 5 and 6) as part of the Tax Rate Recap form. Certain amounts are then transferred to the Tax Rate Recap form. Amounts on these forms should be compared for accuracy. Actual and estimated revenues reported on Schedule A-2 should be on a cash basis only.

Any legislative body appropriation to reimburse the General Fund should be reported on the Tax Rate Recap, page 2, Part IIID, line 4 only.

For demonstration purposes, Tables 5 and 6 represent Schedule A-2 using amounts from the three previous examples.

Table 5: Schedule A-2, Enterprise Funds, page 1

1. Estimated Revenues & Available Funds	Budgeted Self-Sufficient	Budgeted Surplus	Budgeted Subsidy
a. User charges	$500,000	$575,000	$340,000
Connection fees	0	0	0
Other departmental revenue	25,000	25,000	25,000
Investment income	14,000	14,000	14,000
Total revenues	$539,000	$614,000	$379,000
Retained Earnings appropriated	50,000	50,000	50,000
Other enterprise available funds			
Total current year revenues and available funds	$589,000	$664,000	$429,000
b. Retained Earnings appropriated (after the last tax rate was set) for PY costs	0	0	0
Other enterprise available funds appropriated (after the last tax rate was set) for PY costs	0	0	0
Total revenues and available funds appropriated for PY costs	0	0	0
Total revenues & available funds	$589,000	$664,000	$429,000

TABLE 6: SCHEDULE A-2, ENTERPRISE FUNDS, PAGE 2

2a. Costs appropriated in the enterprise fund	Budgeted Self-Sufficient	Budgeted Surplus	Budgeted Subsidy
Salaries and wages	$254,000	$254,000	$254,000
Expenses	8,000	8,000	8,000
Capital outlay	125,000	125,000	125,000
Extraordinary/Unforeseen	10,000	10,000	10,000
Other	45,000	120,000	45,000
PY costs appropriated	0	0	0
Total costs appropriated in fund	$442,000	$517,000	$442,000

2b. Costs appropriated in General Fund	Budgeted Self-Sufficient	Budgeted Surplus	Budgeted Subsidy
Health insurance	$61,000	$61,000	$61,000
Pensions	29,000	29,000	29,000
Shared employees	54,000	54,000	54,000
Shared facilities	0	0	0
Other	3,000	3,000	3,000
Other	0	0	0
Total costs appropriated in General Fund	$147,000	$147,000	$147,000

3. Calculation of General Fund subsidy	Budgeted Self-Sufficient	Budgeted Surplus	Budgeted Subsidy
Revenues & available funds	$589,000	$664,000	$429,000
Less total costs	589,000	664,000	589,000
Less prior year deficit	0	0	0
Surplus/(subsidy)	0	0	($160,000)

4. Source of funding for costs appropriated in enterprise fund	Budgeted Self-Sufficient	Budgeted Surplus	Budgeted Subsidy
a. Revenue and available funds	$442,000	$517,000	$429,000
b. Taxation	0	0	10,000
c. Free cash	0	0	3,000
d. Non-enterprise available funds	0	0	0
Total Sources (must equal part 2a)	$442,000	$517,000	$442,000

Example 1 – Budgeted Self-Sufficient

BUREAU OF ACCOUNTS
SCHEDULE A-2
ENTERPRISE FUNDS CH.44 S.53F 1/2 et al
CITY/TOWN/DISTRICT

City/Town/District

Type of enterprise fund/statutory reference

	(a) FY2007 Actual Revenues	(b) FY2008 Estimated Revenues
1. Enterprise revenues & available funds		
a. User charges	$	$ 500,000.00 *
Connection fees		0.00 *
Other departmental revenue		25,000.00 *
Investment income		14,000.00 *
Total revenues	0.00	539,000.00
Retained earnings appropriated **		50,000.00
Other enterprise available funds		0.00
Specify:		0.00
Total current year revenues and available funds	0.00	589,000.00
b. Retained earnings appropriated for PY costs **		0.00
Other enterprise available funds for PY costs		0.00
Total revenues and available funds for PY costs		0.00
Total revenues and available funds	$ 0.00	$ 589,000.00
		To Recap pg 2, Part IIIB, line 3

* Written documentation should be submitted to support increases/decreases of estimated revenues to actual revenues.

** Retained earnings should be certified by the Director of Accounts prior to appropriation.

I hereby certify that the amount of retained earnings reported in Part I column(b) correctly reflects the votes of town meeting/city council.

Clerk Date

I hereby certify that the actual revenues as shown in part 1 column (a) are to the best of my knowledge correct and complete.

Accounting Officer Date

We hereby attest that the revenues itemized above have not been used as a revenue source elsewhere on the Tax Rate or Pro Forma recap.

Board of Assessors Date

Example 1 – Budgeted Self-Sufficient

2. Total costs appropriated

a. Costs appropriated in the enterprise fund

Salaries and wages	$	254,000.00	
Expenses		8,000.00	
Capital outlay		125,000.00	
Extraordinary/Unforeseen		10,000.00	
Other:---> debt		45,000.00	
Prior year costs appropriated from retained earnings or other enterprise available funds		0.00	(Must equal total part 1b)
Total costs appropriated in enterprise fund			$ 442,000.00

b. Costs appropriated in general fund (to be transferred to the enterprise fund)

Health insurance	$	61,000.00
Pensions		29,000.00
Shared employees		54,000.00
Shared facilities		0.00
Other:---> FICA		3,000.00
Other:--->		0.00

Total costs appropriated in general fund	$ 147,000.00
Total Costs	$ 589,000.00

3. Calculation of general fund subsidy (see instructions)

Revenue & available funds	$	589,000.00	(part 1, col. b)
less: Total costs		589,000.00	(part 2)
less: Prior year deficit		0.00	To Recap pg. 2 Part IIB
(Negative represents general fund subsidy)	$	0.00	

You Must Complete Part 4

4. Sources of funding for costs appropriated in the enterprise fund

To Recap Page 4, Col e

a. Revenue and available funds	$	442,000.00
b. Taxation		0.00
c. Free cash		0.00
d. Non-Enterprise Available Funds		0.00
Total Sources of Funding for Costs Appropriated in the Enterprise Fund (must equal total part 2a)	$	442,000.00

This amount must equal line 2a above, "Total Costs Appropriated in Enterprise Fund"

_____ _____ _____

Board of Commissioners

Example 2 – Budgeted Surplus

BUREAU OF ACCOUNTS
SCHEDULE A-2
ENTERPRISE FUNDS CH.44 S.53F 1/2 et al
CITY/TOWN/DISTRICT

City/Town/District

Type of enterprise fund/statutory reference

	(a) FY2007 Actual Revenues	(b) FY2008 Estimated Revenues
1. Enterprise revenues & available funds		
a. User charges	$	$ 575,000.00 *
Connection fees		*
Other departmental revenue		25,000.00 *
Investment income		14,000.00 *
Total revenues	0.00	614,000.00
Retained earnings appropriated **		50,000.00
Other enterprise available funds		
Specify:		
Total current year revenues and available funds	0.00	664,000.00
b. Retained earnings appropriated for PY costs **		
Other enterprise available funds for PY costs		
Total revenues and available funds for PY costs		0.00
Total revenues and available funds	$ 0.00	$ 664,000.00
		To Recap pg 2, Part IIIB, line 3

* Written documentation should be submitted to support increases/decreases of estimated revenues to actual revenues.

** Retained earnings should be certified by the Director of Accounts prior to appropriation.

I hereby certify that the amount of retained earnings reported in Part I column(b) correctly reflects the votes of town meeting/city council.

Clerk Date

I hereby certify that the actual revenues as shown in part 1 column (a) are to the best of my knowledge correct and complete.

Accounting Officer Date

We hereby attest that the revenues itemized above have not been used as a revenue source elsewhere on the Tax Rate or Pro Forma recap.

Board of Assessors Date

Example 2 – Budgeted Surplus

2. Total costs appropriated

a. Costs appropriated in the enterprise fund

Salaries and wages	$	254,000.00	
Expenses		8,000.00	
Capital outlay		125,000.00	
Extraordinary/Unforeseen		10,000.00	
Other:--->		120,000.00	
Prior year costs appropriated from retained earnings or other enterprise available funds		0.00	(Must equal total part 1b)
Total costs appropriated in enterprise fund		$	517,000.00

b. Costs appropriated in the General Fund

Health insurance	$	61,000.00	
Pensions		29,000.00	
Shared employees		54,000.00	
Shared facilities		0.00	
Other:---> FICA		3,000.00	
Other:--->		0.00	
Total costs appropriated in the General Fund		$	147,000.00
Total Costs		$	664,000.00

3. Calculation of General or other fund subsidy (see instructions)

Revenue & available funds	$	664,000.00	(part 1, col. b)
less: Total costs		664,000.00	(part 2)
less: Prior year deficit		0.00	To Recap pg. 2 Part IIB
(Negative represents General or other fund subsidy)	$	0.00	

You Must Complete Part 4

4. Sources of funding for costs appropriated in the enterprise fund

a. Revenue and available funds	$	517,000.00	**To Recap Page 4, Col e**
b. Taxation		0.00	
c. Free cash		0.00	
d. Non-Enterprise Available Funds		0.00	
Total Sources of Funding for Costs Appropriated in the Enterprise Fund (must equal total part 2a)	$	517,000.00	**This amount must equal line 2a above, "Total Costs Appropriated in Enterprise Fund"**

_____ _____ _____

Board of Commissioners

Example 3 – Budgeted Subsidy

BUREAU OF ACCOUNTS
SCHEDULE A-2
ENTERPRISE FUNDS CH.44 S.53F 1/2 et al
CITY/TOWN/DISTRICT

City/Town/District

Type of enterprise fund/statutory reference

	(a) FY2007 Actual Revenues	(b) FY2008 Estimated Revenues
1. Enterprise revenues & available funds		
a. User charges	$	$ 340,000.00 *
Connection fees		*
Other departmental revenue		25,000.00 *
Investment income		14,000.00 *
Total revenues	0.00	379,000.00
Retained earnings appropriated **		50,000.00
Other enterprise available funds		0.00
Specify:		0.00
Total current year revenues and available funds	0.00	429,000.00
b. Retained earnings appropriated for PY costs **		0.00
Other enterprise available funds for PY costs		0.00
Total revenues and available funds for PY costs		0.00
Total revenues and available funds	$ 0.00	$ 429,000.00
		To Recap pg 2, Part IIIB, line 3

* Written documentation should be submitted to support increases/decreases of estimated revenues to actual revenues.

** Retained earnings should be certified by the Director of Accounts prior to appropriation.

I hereby certify that the amount of retained earnings reported in Part I column(b) correctly reflects the votes of town meeting/city council.

Clerk Date

I hereby certify that the actual revenues as shown in part 1 column (a) are to the best of my knowledge correct and complete.

Accounting Officer Date

We hereby attest that the revenues itemized above have not been used as a revenue source elsewhere on the Tax Rate or Pro Forma recap.

Board of Assessors Date

Example 3 – Budgeted Subsidy

2. Total costs appropriated

a. Costs appropriated in the enterprise fund

Salaries and wages	$	254,000.00	
Expenses		8,000.00	
Capital outlay		125,000.00	
Extraordinary/Unforeseen		10,000.00	
Other:--->		45,000.00	
Prior year costs appropriated from retained earnings or other enterprise available funds		0.00	(Must equal total part 1b)
Total costs appropriated in enterprise fund			$ 442,000.00

b. Costs appropriated in the General Fund

Health insurance	$	61,000.00	
Pensions		29,000.00	
Shared employees		54,000.00	
Shared facilities		0.00	
Other:---> FICA		3,000.00	
Other:--->		0.00	
Total costs appropriated in the General Fund			$ 147,000.00
Total Costs			$ 589,000.00

3. Calculation of General or other fund subsidy (see instructions)

Revenue & available funds	$	429,000.00	(part 1, col. b)
less: Total costs		589,000.00	(part 2)
less: Prior year deficit		0.00	To Recap pg. 2 Part IIB
(Negative represents General or other fund subsidy)	$	-160,000.00	

4. Sources of funding for costs appropriated in the enterprise fund

You Must Complete Part 4

To Recap Page 4, Col e

a. Revenue and available funds	$	429,000.00	
b. Taxation		10,000.00	
c. Free cash		3,000.00	
d. Non-Enterprise Available Funds		0.00	
Total Sources of Funding for Costs Appropriated in the Enterprise Fund (must equal total part 2a)	$	442,000.00	

This amount must equal line 2a above, "Total Costs Appropriated in Enterprise Fund"

Board of Commissioners

From the Schedule A-2, information is transferred and reported on the Tax Rate Recap form on pages 4 (Table 7) and 2 (Table 8) as demonstrated below. For each example, the indirect costs of $147,000 are appropriated in the General Fund operating budget and included as "from raise and appropriate".

TABLE 7: CERTIFICATION OF APPROPRIATIONS AND SOURCES OF FUNDING (TAX RATE RECAPITULATION FORM, PAGE 4)

Example	Total appropriation of each meeting	From raise & appropriate	From free cash	From other available funds	Enterprise funds
Budgeted Self-Sufficient					
General Fund budget (indirect costs)	$147,000	$147,000	0	0	0
Enterprise budget	$442,000	0	0	0	$442,000
Budgeted Surplus					
General Fund budget (indirect costs)	$147,000	$147,000	0	0	0
Enterprise budget	$517,000	0	0	0	$517,000
Budgeted Subsidy					
General Fund budget (indirect costs)	$147,000	$147,000	0	0	0
Enterprise budget	$442,000	$10,000	$3,000	0	$429,000

As a reminder, although not depicted in this example, a retained earnings deficit must be reported and funded in the next fiscal year's Tax Rate Recap. Therefore, although the enterprise was originally budgeted as self-sufficient or in surplus, it may require a subsidy if the deficit is not otherwise funded.

Example 1 – Budgeted Self-Sufficient

CERTIFICATION OF APPROPRIATIONS AND SOURCES OF FUNDING

		APPROPRIATIONS				
City/Town Council or Town Meeting Dates	FY*	(a) Total Appropriations Of Each Meeting	(b) ** From Raise and Appropriate (Tax Levy)	(c) From Free Cash See B-1	(d) From Other Available Funds See B-2	(e) From Offset Receipts, See A-1 or Enterprise Funds, See A-2 Community Preservation See A-4
xx	xx	589,000.00	147,000.00			442,000.00
		0.00				
		0.00				
		0.00				
		0.00				
		0.00				
		0.00				
		0.00				
		0.00				
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		0.00				
		0.00				
		0.00				
		0.00				
		0.00				
		0.00				
		0.00				
		0.00				
Totals		589,000.00	147,000.00	0.00	0.00	442,000.00
		Must Equal Cols. (b) thru (e)				

* Enter the fiscal year to which the appropriation relates, i.e., fiscal year 20xx or fiscal 20xx.

** Appropriations included in column (b) must not be reduced by local receipts or any other funding source. Appropriations must be entered gross to avoid a duplication in the use of estimated or other sources of receipts.

*** Include only revolving funds pursuant to Chapter 44, Section 53 E 1/2.

I hereby certify that the appropriations correctly reflect the votes taken by City/Town/District Council.

City/Town _____ Date _____ Clerk _____

Example 2 – Budgeted Surplus

CERTIFICATION OF APPROPRIATIONS AND SOURCES OF FUNDING

		APPROPRIATIONS				
City/Town Council or Town Meeting Dates	FY*	(a) Total Appropriations Of Each Meeting	(b) ** From Raise and Appropriate (Tax Levy)	(c) From Free Cash See B-1	(d) From Other Available Funds See B-2	(e) From Offset Receipts, See A-1 or Enterprise Funds, See A-2 Community Preservation See A-4
xx	xx	664,000.00	147,000.00			517,000.00
		0.00				
		0.00				
		0.00				
		0.00				
		0.00				
		0.00				
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		0.00				
		0.00				
		0.00				
		0.00				
		0.00				
		0.00				
Totals		664,000.00	147,000.00	0.00	0.00	517,000.00
		Must Equal Cols. (b) thru (e)				

* Enter the fiscal year to which the appropriation relates, i.e., fiscal year 20xx or fiscal 20xx.

** Appropriations included in column (b) must not be reduced by local receipts or any other funding source. Appropriations must be entered gross to avoid a duplication in the use of estimated or other sources of receipts.

*** Include only revolving funds pursuant to Chapter 44, Section 53 E 1/2.

I hereby certify that the appropriations correctly reflect the votes taken by City/Town/District Council.

City/Town _____ Date _____ Clerk _____

Example 3 – Budgeted Subsidy

CERTIFICATION OF APPROPRIATIONS AND SOURCES OF FUNDING

		APPROPRIATIONS				
City/Town Council or Town Meeting Dates	FY*	(a) Total Appropriations Of Each Meeting	(b) ** From Raise and Appropriate (Tax Levy)	(c) From Free Cash See B-1	(d) From Other Available Funds See B-2	(e) From Offset Receipts, See A-1 or Enterprise Funds, See A-2 Community Preservation See A-4
xx	xx	589,000.00	157,000.00	3,000.00		429,000.00
		0.00				
		0.00				
		0.00				
		0.00				
		0.00				
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		0.00				
		0.00				
		0.00				
		0.00				
		0.00				
Totals		589,000.00	157,000.00	3,000.00	0.00	429,000.00
		Must Equal Cols. (b) thru (e)				

* Enter the fiscal year to which the appropriation relates, i.e., fiscal year 20xx or fiscal 20xx.

** Appropriations included in column (b) must not be reduced by local receipts or any other funding source. Appropriations must be entered gross to avoid a duplication in the use of estimated or other sources of receipts.

*** Include only revolving funds pursuant to Chapter 44, Section 53 E 1/2.

I hereby certify that the appropriations correctly reflect the votes taken by City/Town/District Council.

City/Town Date Clerk

TABLE 8: TAX RATE RECAPITULATION FORM, PAGE 2

II. Amount to be raised	Budgeted Self-Sufficient	Budgeted Surplus	Budgeted Subsidy
A. Appropriations	$589,000	$664,000	$589,000
E. Total amount to be raised	$589,000	$664,000	$589,000

III. Estimated receipts & other revenue sources	Budgeted Self-Sufficient	Budgeted Surplus	Budgeted Subsidy
B. Estimated receipts – Local			
3. Enterprise funds	$589,000	$664,000	$429,000
C. Revenue sources appropriated for particular purpose			
1. Free cash	0	0	$3,000
E. Total estimated receipts and other revenue sources	$589,000	$664,000	$432,000

IV. Summary of total amount to be raised and total receipts from all sources	Budgeted Self-Sufficient	Budgeted Surplus	Budgeted Subsidy
A. Total amount to be raised	$589,000	$664,000	$589,000
B. Total estimated receipts and other revenue sources	$589,000	$664,000	$432,000
C. Total real and personal property tax levy	0	0	$157,000
D. Total receipts form all sources	$589,000	$664,000	$589,000

If funds are appropriated from retained earnings or from another enterprise available fund after the tax rate is set, these are reported on the following fiscal year's Tax Rate Recap and Schedule A-2 forms.

Example 1 – Budgeted Self-Sufficient

II. Amounts to be raised

IIa. Appropriations (col. (b) through col. (e) from Page 4)			$ 589,000.00
IIb. Other amounts to be raised			
1. Amounts certified for tax title purposes			
2. Debt and interest charges not included on page 4			
3. Final court judgments			
4. Total overlay deficits of prior years			
5. Total cherry sheet offsets (see cherry sheet 1-ER)			
6. Revenue deficits			
7. Offset receipts deficits Ch. 44, Sec. 53E			
8. Authorized deferral of teachers' pay			
9. Snow and ice deficit Ch. 44 Sec. 31D			
10. Other (specify on separate letter)			
TOTAL IIb (Total lines 1 through 10)			0.00
IIc. State and county cherry sheet charge (C.S. 1-EC)			
IId. Allowance for abatements and exemptions (overlay)			
IIe. Total amount to be raised (Total IIa through IId)			$ 589,000.00

III. Estimated receipts and other revenue sources

IIIa. Estimated receipts - State			
1. Cherry sheet estimated receipts (C.S. 1-ER Total)	$		
2. Massachusetts School Building Authority Payments			
TOTAL IIIa			0.00
IIIb. Estimated receipts - Local			
1. Local receipts not allocated (Page 3, col. (b), Line 23)		0.00	
2. Offset receipts (See Schedule A-1)		0.00	
3. Enterprise funds (See Schedule A-2)		589,000.00	
4. Community preservation funds (See Schedule A-4)		0.00	
TOTAL IIIb			589,000.00
IIIc. Revenue sources appropriated for particular purposes			
1. Free cash (Page 4, col. (c))		0.00	
2. Other available funds (Page 4, col. (d))		0.00	
TOTAL IIIc			0.00
IIId. Other revenue sources appropriated specifically to reduce the tax rate			
1. a. Free cash...appropriated on or before June 30, 20xx			
b. Free cash...appropriated on or after July 1, 20xx			
2. Municipal light source			
3. Teachers' pay deferral			
4. Other source :			
TOTAL IIId			0.00
IIIe. Total estimated receipts and other revenue sources (Total IIIa through IIId)			$ 589,000.00

IV. Summary of total amount to be raised and total receipts from all sources

a. Total amount to be raised (from IIe)			$ 589,000.00
b. Total estimated receipts and other revenue sources (from IIIe)	$	589,000.00	
c. Total real and personal property tax levy (from Ic)	$	0.00	
d. Total receipts from all sources (total IVb plus IVc)			$ 589,000.00

Example 2 – Budgeted Surplus

II. Amounts to be raised

IIa. Appropriations (col. (b) through col. (e) from Page 4)		$ 664,000.00
IIb. Other amounts to be raised		
1. Amounts certified for tax title purposes		
2. Debt and interest charges not included on page 4		
3. Final court judgments		
4. Total overlay deficits of prior years		
5. Total cherry sheet offsets (see cherry sheet 1-ER)		
6. Revenue deficits		
7. Offset receipts deficits Ch. 44, Sec. 53E		
8. Authorized deferral of teachers' pay		
9. Snow and ice deficit Ch. 44 Sec. 31D		
10. Other (specify on separate letter)		
TOTAL IIb (Total lines 1 through 10)		0.00
IIc. State and county cherry sheet charge (C.S. 1-EC)		
IId. Allowance for abatements and exemptions (overlay)		
IIe. Total amount to be raised (Total IIa through IId)		$ 664,000.00

III. Estimated receipts and other revenue sources

IIIa. Estimated receipts - State		
1. Cherry sheet estimated receipts (C.S. 1-ER Total)	$	
2. Massachusetts School Building Authority Payments		
TOTAL IIIa		0.00
IIIb. Estimated receipts - Local		
1. Local receipts not allocated (Page 3, col. (b), Line 23)	0.00	
2. Offset receipts (See Schedule A-1)	0.00	
3. Enterprise funds (See Schedule A-2)	664,000.00	
4. Community preservation funds (See Schedule A-4)	0.00	
TOTAL IIIb		664,000.00
IIIc. Revenue sources appropriated for particular purposes		
1. Free cash (Page 4, col. (c))	0.00	
2. Other available funds (Page 4, col. (d))	0.00	
TOTAL IIIc		0.00
IIId. Other revenue sources appropriated specifically to reduce the tax rate		
1. a. Free cash...appropriated on or before June 30, 20xx		
b. Free cash...appropriated on or after July 1, 20xx		
2. Municipal light source		
3. Teachers' pay deferral		
4. Other source :		
TOTAL IIId		0.00
IIIe. Total estimated receipts and other revenue sources (Total IIIa through IIId)		$ 664,000.00

IV. Summary of total amount to be raised and total receipts from all sources

a. Total amount to be raised (from IIe)		$ 664,000.00
b. Total estimated receipts and other revenue sources (from IIIe)	$ 664,000.00	
c. Total real and personal property tax levy (from Ic)	$ 0.00	
d. Total receipts from all sources (total IVb plus IVc)		$ 664,000.00

Example 3 – Budgeted Subsidy

II. Amounts to be raised

IIa. Appropriations (col. (b) through col. (e) from Page 4)			$ 589,000.00
IIb. Other amounts to be raised			
1. Amounts certified for tax title purposes			
2. Debt and interest charges not included on page 4			
3. Final court judgments			
4. Total overlay deficits of prior years			
5. Total cherry sheet offsets (see cherry sheet 1-ER)			
6. Revenue deficits			
7. Offset receipts deficits Ch. 44, Sec. 53E			
8. Authorized deferral of teachers' pay			
9. Snow and ice deficit Ch. 44 Sec. 31D			
10. Other (specify on separate letter)			
TOTAL IIb (Total lines 1 through 10)			0.00
IIc. State and county cherry sheet charge (C.S. 1-EC)			
IId. Allowance for abatements and exemptions (overlay)			
IIe. Total amount to be raised (Total IIa through IId)			$ 589,000.00

III. Estimated receipts and other revenue sources

IIIa. Estimated receipts - State			
1. Cherry sheet estimated receipts (C.S. 1-ER Total)	$		
2. Massachusetts School Building Authority Payments			
TOTAL IIIa			0.00
IIIb. Estimated receipts - Local			
1. Local receipts not allocated (Page 3, col. (b), Line 23)		0.00	
2. Offset receipts (See Schedule A-1)		0.00	
3. Enterprise funds (See Schedule A-2)		429,000.00	
4. Community preservation funds (See Schedule A-4)		0.00	
TOTAL IIIb			429,000.00
IIIc. Revenue sources appropriated for particular purposes			
1. Free cash (Page 4, col. (c))		3,000.00	
2. Other available funds (Page 4, col. (d))		0.00	
TOTAL IIIc			3,000.00
IIId. Other revenue sources appropriated specifically to reduce the tax rate			
1. a. Free cash...appropriated on or before June 30, 20xx			
b. Free cash...appropriated on or after July 1, 20xx			
2. Municipal light source			
3. Teachers' pay deferral			
4. Other source :			
TOTAL IIId			0.00
IIIe. Total estimated receipts and other revenue sources (Total IIIa through IIId)			$ 432,000.00

IV. Summary of total amount to be raised and total receipts from all sources

a. Total amount to be raised (from IIe)			$ 589,000.00
b. Total estimated receipts and other revenue sources (from IIIe)	$	432,000.00	
c. Total real and personal property tax levy (from Ic)	$	157,000.00	
d. Total receipts from all sources (total IVb plus IVc)			$ 589,000.00

UMAS Budgetary Entries – Enterprise Fund

These are sample entries corresponding to the three scenarios. Note: In this example, the enterprise subsidy is from the General Fund. Subsidies from other funds use the same entries.

Budgeted Self-Sufficient

1. The estimated revenues and use of enterprise available funds are recorded.

650-3815	ESTIMATED REVENUE	539,000	
650-3880	BUDGETARY NET ASSETS UNRESTRICTED	50,000	
650-3890	BUDGETARY CONTROL		589,000

To record the estimated revenue and use of the enterprise available fund

2. The appropriations for the enterprise fund are recorded.

650-3890	BUDGETARY CONTROL	442,000	
650-3830	APPROPRIATIONS		442,000

To record the appropriations in the enterprise fund.

3. Budgeted indirect costs appropriated in the General Fund are recorded.

650-3890	BUDGETARY CONTROL	147,000	
650-3870	ESTIMATED OTHER FINANCING USES		147,000

To record the budgeting of indirect costs appropriated in the General Fund

Budgeted Surplus

1. The estimated revenues and use of enterprise available funds are recorded.

650-3815	ESTIMATED REVENUE	614,000	
650-3880	BUDGETARY NET ASSETS UNRESTRICTED	50,000	
650-3890	BUDGETARY CONTROL		664,000

To record the estimated revenue and use of the enterprise available fund

2. The appropriations for the enterprise fund are recorded.

650-3890	BUDGETARY CONTROL	442,000	
650-3830	APPROPRIATIONS		442,000

To record the appropriations in the enterprise fund.

3. Budgeted indirect costs appropriated in the General Fund are recorded.

650-3890	BUDGETARY CONTROL	147,000	
650-3870	ESTIMATED OTHER FINANCING USES		147,000

To record the budgeting of indirect costs appropriated in the General Fund

4. The budgeted surplus is appropriated.

650-3890	BUDGETARY CONTROL	75,000	
650-3830	APPROPRIATIONS		75,000

To record the budgetary surplus.

BUDGETED SUBSIDY

1. The estimated revenues and use of enterprise available funds are recorded.

650-3815	ESTIMATED REVENUE	379,000	
650-3880	BUDGETARY NET ASSETS UNRESTRICTED	50,000	
650-3890	BUDGETARY CONTROL		429,000

To record the estimated revenue and use of enterprise available funds

2. The appropriations for the enterprise fund are recorded.

650-3890	BUDGETARY CONTROL	442,000	
650-3830	APPROPRIATIONS		442,000

To record the appropriations in the enterprise fund.

3. Budgeted indirect costs appropriated in the General Fund are recorded.

650-3890	BUDGETARY CONTROL	147,000	
650-3870	ESTIMATED OTHER FINANCING USES		147,000

To record the budgeting of indirect costs appropriated in the General Fund

4. The budgeted operating transfer for the General Fund subsidy is recorded.

650-3820	ESTIMATED OTHER FINANCING SOURCES	160,000	
650-3890	BUDGETARY CONTROL		160,000

To record the General Fund subsidy of the enterprise fund.

UMAS ACTUAL ENTRIES – ENTERPRISE FUNDS

The following are examples of actual entries to be recorded during the year for enterprise fund activity. The actual entries for all three examples are the same with the exception of the General Fund Subsidy entry.

1. The Enterprise Fund bills are sent out and a commitment warrant, agreeing to the total, is forwarded to the accountant/auditor.

650-1310	User Charges Receivable	349,000	
650-2651	Deferred Revenue – User Charges		349,000

To record the commitment of enterprise user charges

2. The total of enterprise bills abated is forwarded to the accountant/auditor.

650-2651	Deferred Revenue – User Charges	200	
650-1310	User Charges Receivable		200

To record the abatements of enterprise fund bills

3. Payments are collected on current enterprise bills, summarized, and reported on the Treasurer's Report of Cash Received.

650-1040	Cash – Unrestricted	7,500	
650-1310	User Charges Receivable		7,500

To record cash collected on enterprise fund user charges

4. The revenue account is adjusted to reflect the cash received on the user charges receivable.

650-2651	Deferred Revenue – User Charges	7,500	
650-3910	Revenue		7,500

To record the revenue from the collections on enterprise user charges

5. The enterprise fund pays expenses directly associated with the provision of the service.

650-3930	Expenses	440,150	
650-1040	Cash – Unrestricted		440,150

To record the payment of direct expenses of the enterprise fund.

6. The enterprise records the receipt of the subsidy from the General Fund.

650-1040	Cash – Unrestricted	160,000	
650-3920	Other Financing Sources		160,000

To record the receipt of the General Fund subsidy.

UMAS Closing Budgetary Entries – Enterprise Fund

Budgeted Self-Sufficient Budget

7A. The budget entry for the fiscal year is reversed

650-3830	APPROPRIATIONS	442,000	
650-3870	ESTIMATED OTHER FINANCING USES	147,000	
650-3815	ESTIMATED REVENUE		539,000
650-3880	BUDGETARY NET ASSETS UNRESTRICTED		50,000

To reverse the budget entries for the fiscal year

Budgeted Surplus

7B. The budget entry for the fiscal year is reversed

650-3830	APPROPRIATIONS	517,000	
650-3870	ESTIMATED OTHER FINANCING USES	147,000	
650-3815	ESTIMATED REVENUE		614,000
650-3880	BUDGETARY NET ASSETS UNRESTRICTED		50,000

To reverse the budget entries for the fiscal year

Budgeted Subsidy

7C. The budget entry for the fiscal year is reversed

650-3830	APPROPRIATIONS	442,000	
650-3870	ESTIMATED OTHER FINANCING USES	147,000	
650-3815	ESTIMATED REVENUE		379,000
650-3820	ESTIMATED OTHER FINANCING SOURCES		160,000
650-3880	BUDGETARY NET ASSETS UNRESTRICTED		50,000

To reverse the budget entries for the fiscal year

UMAS Budgetary Entries – General Fund

1. The appropriation of indirect costs in the General Fund is recorded.

001-3890	BUDGETARY CONTROL	147,000	
001-3830	APPROPRIATIONS		147,000

To record the appropriation of enterprise fund indirect costs in the General Fund.

2. The budgeted reimbursement for indirect costs from the enterprise fund is recorded.

001-3820	ESTIMATED OTHER FINANCING SOURCES	147,000	
001-3890	BUDGETARY CONTROL		147,000

To record the estimated reimbursement from the enterprise fund to the General Fund.

Budgeted Subsidy Only

3. The budgeted operating subsidy is recorded

001-3890	BUDGETARY CONTROL	160,000	
001-3870	ESTIMATED OTHER FINANCING USES		160,000

To record the budgeted subsidy for the enterprise fund.

UMAS Actual Entries – General Fund

1. The expenditures are recorded in the General Fund.

001-3930	Expenditures	147,000	
001-1040	Cash – Unrestricted		147,000

To record the expenditures of the General Fund associated with costs of the enterprise fund.

2. The General Fund receives the reimbursement from the enterprise fund.

001-1040	Cash – Unrestricted	147,000	
001-3920	Other Financing Sources		147,000

To record receipt of the enterprise fund subsidy.

Budgeted Subsidy Only

3. The General Fund records the transfer of its subsidy to the enterprise fund.

001-3970	Other Financing Uses	160,000	
001-1040	Cash – Unrestricted		160,000

To record the transfer of the General Fund subsidy to the enterprise fund.

UMAS Closing Budgetary Entries – General Fund

4A. The budgetary entries for the fiscal year are reversed.

001-3830	APPROPRIATIONS	147,000	
001-3820	ESTIMATED OTHER FINANCING SOURCES		147,000

To reverse the budgetary entries for the fiscal year.

4B. The budgetary entries for the fiscal year are reversed (fund subsidy only)

001-3830	APPROPRIATIONS	147,000	
001-3870	ESTIMATED OTHER FINANCING USES	160,000	
001-3820	ESTIMATED OTHER FINANCING SOURCES		147,000
001-3890	BUDGETARY CONTROL		160,000

To reverse the budgetary entries for the fiscal year.

FREQUENTLY ASKED QUESTIONS

1. Can a community establish a gas or electric enterprise fund under G.L. c. 44, § 53F½?

No. A gas and/or electric department would be established under G.L. c. 164.

2. Does an enterprise fund have to fully recover its costs through user fees?

No. Budget-wise, an enterprise fund may be self-sufficient, or it may budget a surplus or subsidy. The extent to which it is subsidized (generally by the General Fund) is a policy decision that should be clearly presented when the council or town meeting adopts the enterprise budget. A community may, for example, choose to subsidize a sewer enterprise through a Proposition 2½ debt exclusion. User charges and fees do not then fund total sewer service costs.

3. Can a mayor or board of selectmen decide to operate an enterprise fund for a particular service?

No. The town council or town meeting must vote to adopt G.L. c. 44, § 53F½ in a town and the city council, with approval of the mayor. These bodies may vote an enterprise fund only for purposes indicated in the statute.

4. Who determines user fees?

The board or officer designated under the general enabling legislation or local charter determines the user fees. The fees imposed for any municipal service must comply with legal standards.

5. Does a Proposition 2½ debt exclusion amount for an enterprise fund have to be reduced by user fees and/or special assessments imposed for the same project?

No. If the community votes to exclude debt service for an enterprise fund project and increase its tax levy for that fiscal year, the community must take this additional revenue source into account in the enterprise fund. If the community chooses, it may use a portion of user charges, betterments or other revenues to fund the debt service and reduce the debt exclusion.

6. Can an enterprise fund use its retained earnings to pay for the expenses that the legislative body voted to fund by borrowing?

No. Retained earnings of the enterprise cannot be spent without appropriation. It would require the legislative body's vote to change the funding source.

7. Can an enterprise fund operate independently or under its own procedures?

No. An enterprise fund is an accounting/budgeting method. It does not grant additional powers to the department providing the service. An enterprise is still a municipal department that is subject to ordinary municipal finance procedures. The rate setting process is established by statute or local

charter. Any enterprise fund property/asset is owned by the municipality and may only be acquired, leased or disposed of by vote of the legislative body. At no time can these conditions be altered through the adoption of an enterprise fund.

8. Can a community charge an enterprise fund a payment in lieu of taxes for property used to provide the service?

G.L. c. 44, § 53F½ states that the books and records of the enterprise shall be maintained in accordance with generally accepted accounting principles (GAAP). From a purely accounting perspective, a payment in lieu of taxes is a proper expense of the enterprise fund. It is a quasi-external transaction, that is, an interfund exchange that would have resulted in recognition of an expense or revenue if it had involved a private party.

The validity of such a charge does not depend on the type of enterprise, but depends on the type and amount of property used by the enterprise. If the decision is made to proceed with a payment, the amount would be the community's commercial tax rate multiplied by the assessed value of the enterprise's land, buildings and personal property.

Notwithstanding the foregoing, it must be noted that from a legal point of view, it is not at all clear to what extent a court would consider a payment to be part of the actual cost of providing the service, and therefore an appropriate component of the enterprise's fee structure.

9. Should services provided by other departments be billed directly to the enterprise fund?

No. Any services provided by other departments and indirect expenses should be reimbursed to the General Fund through inter-fund transfers from the enterprise fund. Ideally, these transfers should be done monthly so the enterprise fund expenses are tracked and its financial position is accurately reflected.

10. What happens if there is a disagreement on the indirect costs (e.g., which expenses and how much) of an enterprise fund?

Indirect costs should be clearly set forth (*e.g.*, what costs will be shared and how much) when the budget is adopted to avoid disputes later in the fiscal year. Ideally, it should be set forth in writing. Resolution of any disagreement is purely a local matter. The Director of Accounts may request documentation of the city or town's methodology and may reject the methodology and/or amount for tax rate certification purposes if deemed unreasonable.

11. Does an enterprise fund operating loss have to be funded in the next fiscal year?

Beginning June 30, 2008, the revenue account will close to net assets unrestricted. An operating loss (generally budgeted revenues in excess of actual revenues plus unspent appropriations) will not have to be funded unless the operating loss results in a retained earnings deficit. The retained earnings deficit must be funded in the following fiscal year. The Bureau of Accounts recommends, however, that local financial officials and rate setters take note of a revenue shortfall and take appropriate

action (*e.g.*, raise rates, bill more timely, curtail expenses). The Bureau of Accounts will review matters in more detail if reductions to retained earnings caused by revenue deficits recur.

The Director of Accounts may reject a tax rate for overestimated enterprise revenues which may require further city council/town meeting action.

12. How is enterprise fund accounting different from other governmental accounting?

For UMAS and Tax Rate Recap purposes, revenues are recognized when received and expenses when the liabilities are incurred, under a modified accrual basis of accounting. For audited financial statement reporting purposes, revenues are recognized when earned and expenses when the liabilities are incurred, under a full accrual basis of accounting.

13. Is the treasurer required to maintain a separate bank account for the enterprise fund?

No. A separate enterprise fund bank account does not have to be maintained. Cash may be pooled for investment purposes. However, the accountant/auditor must account for enterprise fund cash separately in the general ledger. Investment income must be allocated proportionately to each fund.

14. Can a legislative body vote to use enterprise funds for purposes not related to the enterprise?

No. The enterprise enabling statute provides that the enterprise revenues may only be used for enterprise-related expenses.

15. If a community owns property that directly relates to the operation of an enterprise service and the property is subsequently leased, are the lease funds credited to the enterprise fund or to the General Fund?

First, it should be noted that the city or town department operating the enterprise can only lease or rent property under its control if it is specifically authorized by statute or in the absence of statute, with legislative body approval.

With regard to the disposition of the funds, it would depend on the acquisition of the property. If the property was acquired with enterprise fund revenue, or is currently maintained or debt service on the property is being paid by the enterprise, then lease revenues would be credited to the enterprise fund. If the property was transferred to the enterprise fund or paid for with General Fund revenue and the property is not dedicated to the enterprise service's use, then the lease revenue is general revenue and should be credited to the General Fund.

16. What happens if a community decides it no longer wants to have an enterprise fund?

After at least three years, a legislative body, subject to the local charter, may terminate the enterprise fund. Similar to when it was adopted, the new article should specify when this would become effective as shown below.

"To see if the (city or town) will revoke the provisions of Chapter 44, § 53F½ of the Massachusetts General Laws, ceasing (the service) as an enterprise fund effective fiscal year (year)."

Once it ceases operation and all of the current liabilities are accounted for, the community would close any fund balance to the General Fund and transfer any assets, debt and long term liabilities to the General Fund and to the appropriate account groups.

17. If the staff of an enterprise performs a service for another town department, can the enterprise fund be reimbursed for that service?

It is not appropriate for a town department to charge another town department, or for an enterprise fund to charge another fund for goods or services because the department operating the enterprise fund is not a separate and distinct legal entity. However, it is appropriate for those services to be taken into account in the budget process.

18. When converting from a special revenue fund to an enterprise fund, must the fund balance in the special revenue fund be transferred to the enterprise fund?

The fund balance may be transferred to the enterprise fund by vote of the legislative body. In addition, account #3211-Fund Balance Reserved for Encumbrances should be closed to Net Assets Unrestricted.

19. When converting from a special revenue fund to an enterprise fund, must the special revenue fund be revoked?

Authorization for the special revenue fund should be revoked to coincide with commencement of the enterprise fund. The adoption of an enterprise fund ends activity in the special revenue fund established for that same purpose as of the adoption date of the enterprise fund.

20. If after the establishment of an enterprise fund, a reservation once made in the special revenue fund is rescinded, do funds revert to the enterprise or General Fund?

The funds revert to Net Assets Unrestricted of the enterprise fund.

21. Does a General Fund subsidy have to be appropriated?

There are three potential General Fund subsidies of an enterprise fund: (a) for a portion of direct costs, (b) for a portion or all of the indirect costs, (c) for a portion or all of a retained earnings deficit from the prior fiscal year. A subsidy of direct costs must be voted as indicated in the third column of Tables 3 and 4 of these guidelines. Indirect costs are voted from the General or other fund. Funding a retained earnings deficit from the General Fund may be by appropriation or by addition to Part IIB of the Tax Rate Recap as an Other Amount to be Raised.

22. Should an enterprise fund budget for depreciation?

No. Depreciation is a technical accounting term to match costs specific to a certain accounting period with the associated revenues. However, the city or town may budget for the replacement of capital assets through a particular purpose stabilization fund (See Informational Guideline Release 04-201, *Creation of Multiple Stabilization Funds and Proposition 2 ½ Overrides for Stabilization Funds)* or by a separate warrant article.

23. If budgeting a surplus in the enterprise fund, can it be appropriated during the fiscal year before an actual surplus is determined?

Yes. A budgeted surplus is considered available on July 1. Budgeted surplus cannot be transferred by the legislative body to reimburse the General or other Fund for costs incurred in any prior fiscal year.

24. What information is necessary for the Director of Accounts to certify retained earnings of the enterprise fund as of June 30?

Retained earnings is certified by the Director of Accounts based upon receipt of a balance sheet as of June 30. The balance sheet submission must be accompanied by all information necessary to calculate free cash in the General Fund. A balance sheet for the enterprise fund alone will not suffice. Additional information necessary for certification is provided in an annual year-end letter from the Director to Accountants and Auditors.

25. For bills issued and payable after June 30, are revenues credited to retained earnings of the enterprise as of June 30?

Once certified as of June 30 by the Director of Accounts, revenues received after June 30 may be considered at the discretion of the Director.

26. Can retained earnings reimburse the General Fund for a subsidy granted to this activity when it was in a special revenue fund?

Retained earnings may reimburse the General Fund for capital costs only, provided the reimbursement follows the two full, immediately prior fiscal year rule.

27. Must betterments and special assessments be closed to net assets unrestricted at fiscal year's end?

Yes. Estimated sewer assessments, however, remain open and are held for payment of debt service pursuant to G.L. Ch. 83, § 15A.

28. Are indirect costs paid out of the General Fund or enterprise fund?

Indirect costs appropriated as part of the General Fund operating budget or from any other fund should be paid from that fund. Enterprise revenue to the extent budgeted is transferred into the General Fund to provide the source of funding.

29. Can retained earnings be used to reduce rates?

Yes. Retained earnings can be used to replace user charges as a funding source of the enterprise or as an additional revenue source to the enterprise to prevent the need to increase rates.

APPENDIX A: ENTERPRISE FUND LEGISLATION

G.L. c. 44, § 53F½

Notwithstanding the provisions of section fifty-three or any other provision of law to the contrary, a city or town which accepts the provisions of this section may establish a separate account classified as an "Enterprise Fund", for a utility, health care, recreational or transportation facility, and its operation, as the city or town may designate, hereinafter referred to as the enterprise. Such account shall be maintained by the treasurer, and all receipts, revenues and funds from any source derived from all activities of the enterprise shall be deposited in such separate account. The treasurer may invest the funds in such separate account in the manner authorized by sections fifty-five and fifty-five A of chapter forty-four. Any interest earned thereon shall be credited to and become part of such separate account. The books and records of the enterprise shall be maintained in accordance with generally accepted accounting principles and in accordance with the requirements of section thirty-eight.

No later than one hundred and twenty days prior to the beginning of each fiscal year, an estimate of the income for the ensuing fiscal year and a proposed line item budget of the enterprise shall be submitted to the mayor, board of selectmen or other executive authority of the city or town by the appropriate local entity responsible for operations of the enterprise. Said board, mayor or other executive authority shall submit its recommendation to the town meeting, town council or city council, as the case may be, which shall act upon the budget in the same manner as all other budgets.

The city or town shall include in its tax levy for the fiscal year the amount appropriated for the total expenses of the enterprise and an estimate of the income to be derived by the operations of the enterprise. If the estimated income is less than the total appropriation, the difference shall be added to the tax levy and raised by taxation. If the estimated income is more than the total appropriation, the excess shall be appropriated to a separate reserve fund and used for capital expenditures of the enterprise, subject to appropriation, or to reduce user charges if authorized by the appropriate entity responsible for operations of the enterprise. If during a fiscal year the enterprise incurs a loss, such loss shall be included in the succeeding fiscal year's budget.

If during a fiscal year the enterprise produces a surplus, such surplus shall be kept in such separate reserve fund and used for the purposes provided therefor in this section.

For the purposes of this section, acceptance in a city shall be by vote of the city council and approval of the mayor, in a town, by vote of a special or annual town meeting and in any other municipality by vote of the legislative body.

A city or town which has accepted the provisions of this section with respect to a designated enterprise may, in like manner, revoke its acceptance.

APPENDIX B: A RETAINED EARNINGS DEFICIT

At the beginning of any fiscal year, an enterprise fund may be budgeted as self-sufficient. However, at fiscal-year end, the enterprise fund may experience an operating loss (generally actual revenues less than budgeted not offset by unspent appropriations). All else being equal, this operating loss will reduce net assets unrestricted and retained earnings. Local financial officials and rate setters should take note of revenue shortfalls and should take appropriate action (*e.g.*, raise rates, bill more timely, curtail expenses). The Bureau of Accounts will not require that an enterprise fund revenue deficit be funded on the Tax Rate Recap, but will review matters in more detail if reductions to retained earnings caused by revenue deficits recur.

If retained earnings are certified in deficit by the Director of Accounts, they must be reported and funded as indicated in these guidelines. No further entry is necessary on the books as of June 30.

If subsequent fiscal year retained earnings are certified in the positive, the Bureau of Accounts will not allow the legislative body to transfer from retained earnings to reimburse the General Fund for a subsidized retained earnings deficit. However, as indicated in these guidelines, retained earnings can only be appropriated by the legislative body to reimburse the General Fund for a capital cost subsidy in either of the two full, immediately prior fiscal years.