



DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

Michael J. Heffernan
Commissioner of Revenue

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Senior Deputy Commissioner

To: Regional School District Business Officials
From: Mary Jane Handy, Director of Accounts
Date: July, 2016

This letter sets forth the year-end reporting requirements pursuant to G.L. Chapter 71, § 16B½ and 603 CMR 41.06 for certification of excess and deficiency (E & D) for the General Fund and certain other related matters.

If E & D is not certified by the Bureau of Accounts by June 30, the District does not have authority to use E & D as a funding source in the next fiscal year budget.

Information in this letter is updated and continued from last year

Balance Sheet – Form Submission Requirements

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

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

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

- Combined Balance Sheet and Combining Balance Sheets for each fund type including individual fund balances (may include a system generated balance sheet);
- Detailed analysis of undesignated fund balance/surplus revenue;
- Cash Reconciliation Form;
- [FY2016 Year End Checklist](#);
- [Treasurer's Year End Cash Report](#);
- [Statement of Indebtedness](#);
- Summary of the FY2017 budget (operating and capital)
- Schedule of assessments to each member city and town
- Other information as requested by the Bureau;
- Audited financial statements;

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Please be reminded that monthly distribution of state aid may be withheld if the regional school district has not filed the required forms and schedules as of June 30, 2016 to the Bureau of Accounts by October 31, 2016

For Regional School Districts that the Director of Accounts requires audited financial statements prior to certification of E & D, the Director may decide not to certify or reduce the amount if the independent auditor's opinion is adverse or if the opinion is disclaimed.

Balance Sheet Presentation

Submit hard-copy documentation allowing sufficient time for Bureau review and certification.

- For revenue recognition purposes, state and federal reimbursements must be received by September 30 to offset a deficit fund balance as of June 30.
- At the discretion of the Commissioner of the Department of Elementary and Secondary Education (DESE), funding below the required net school spending level could result in a reduction of State aid.
- Invested funds must be reported at fair value as of June 30.
- Incurred But Not Reported claims of a self-insured health care trust fund must be accrued and reported on the balance sheet. A June 30, 2016 deficit in this fund is a reduction to free cash and must be provided for in the FY2017 tax rate.
- The State Special Education Reimbursement Fund (Circuit Breaker) June 30 balance can be no greater than DESE's FY2016 reimbursement, not including extraordinary assistance or funds obligated by the regional district school committee for FY2017 purposes. Any fund balance in excess of the allowable balance must close to the General Fund on June 30. Any FY2016 deficit in the fund must be charged to the FY2017 regional school district budget and will have no effect on June 30, 2016 E & D. Proof of this charge must be provided to the Bureau of Accounts or E & D will be reduced.
- Massachusetts School Building Authority (MSBA) lump-sum payments may require reservation and amortization. Review [IGR 08-102](#) for instructions.
- Inter-fund borrowing advances must be repaid no later than June 30. Review [IGR 92-105](#). Debt authorized for jurisdictions under legal restriction to obtain approval from the Commissioner of Revenue must first receive local approval and then the Commissioner's before inter-fund borrowing and expenditure of funds can occur.

- Reservations of interest income from investments, certain bond/BAN premiums, rebates and medicare/medicaid reimbursements are improper and unless special legislation or the Director of Accounts requires such reservation, they must be closed to the district's General Fund. Additionally, close all encumbrances to the General Fund not supported by a legal commitment made to a third party.
- Any bond or bond anticipation note premium that will not be returned to the member communities because of debt exclusion votes taken by the members, must be closed to the district's General Fund on June 30. Per G.L. chapter 44, § 20, the Bureau must then reduce the members' debt exclusions by the amount that represents their proportionate share of the premium kept by the district through maturity of the debt. Otherwise, the premium must be reserved and returned to district members by no later than June 30. The return of premium may be either by a reduction to the capital assessment or by separate check.
- For calculating the maximum Excess and Deficiency (E & D) under G.L. c. 71, § 16B½ as of June 30, 2016, the Bureau will use five percent (5%) of the district's operating and capital budget for the subsequent fiscal year. Per [603 CMR 41.05 1\(e\)](#):

Expenditures from grant funds, revolving funds, trust funds and other funds that by law may be expended by the regional school committee without further appropriation, shall not be included in the budget. A summary of projected receipts and expenditures in such funds shall be provided to the members for informational purposes only along with the budget.

- E & D will be reduced by the amount of any school grant reported in deficit.
- Rebated funds (e.g. energy rebates) received from a utility or other vendor cannot be reserved on the balance sheet and must be closed to the General Fund at the end of the fiscal year.
- Monthly State Aid Distribution and Use of Additional Funds - For FY2017, the Division of Local Services will continue to distribute monthly State aid.
- [Bulletin 2013-01B](#), which supersedes prior Bulletins on the matter, explains the application of premiums received in connection with the sale of bonds or notes that are subject to an approved Proposition 2½ debt exclusion generally and announces an alternative method for applying them.

Potential Increases to E & D

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

- FY2016 state aid payments received by September 30;
- Federal/state reimbursements received by September 30 for FY2016 expenditures that resulted in a deficit fund balance as of June 30 may be applied to offset the deficit;

Potential Decreases to E & D

The following reasons will contribute to an E & D reduction unless otherwise noted:

- The Director may reduce the calculated amount of E & D if, the calculated amount cannot be substantiated by supporting documentation.
- A variance between the balance sheet and treasurer's cash;
- Illegal deficits or any deficit not provided for in the district assessment;
- A fund balance deficit in an individual Capital Projects Fund where funds were not borrowed by June 30;
- A self-insurance health claims trust fund balance deficit (note: must be provided for in next regional school district budget);

Treasurer's Year-End Cash Report

The Treasurer's Year-End Cash Report as of June 30, 2016 must be completed and returned to the Bureau by September 30, 2016 or upon submission of the balance sheet for FY2016 excess & deficiency certification, whichever is earlier.

Although the Quarterly Cash Report has been replaced, the Treasurer's and Accounting Officer's records should be reconciled monthly during the year.

Auto E-Mail of E & D Certification

Certification letters will be e-mailed to the superintendent and school business manager, the board of selectmen in each member town and the city council in each member city immediately upon approval, provided an e-mail address is reported in DLS' Local Officials Directory.

Distribution of Local Aid

Regional school districts are reminded of G.L. chapter 58, § 18F which provides for the withholding of local aid payments for districts that do not submit a prior year's annual financial report to DESE.

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