



DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE
Supporting a Commonwealth of Communities

Completing the Tax Rate Form A-2 for Enterprise Funds

October 15, 2025



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DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

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Informational Guideline Release

Bureau of Accounts
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Supersedes IGR 2008-101, IGR 2021-11 and Inconsistent Prior Written Statements

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.

Completing the Tax Rate Form A-2 for Enterprise Funds

What is an Enterprise Fund?

- Enterprise funds established under G.L. c.44, §53F½ (1986)
- Provide accounting framework for municipal services with fees, similar to private business
- Separates revenues and expenses from general fund

An enterprise fund is NOT an autonomous entity, but a department of a city or town

Completing the Tax Rate Form A-2 for Enterprise Funds

Adopting/Rescinding an Enterprise Fund

- Adopted by city/town legislative body vote:
“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).”
- Each enterprise fund requires separate vote
- Commences at start of fiscal year (usually July 1)
- Minimum operation: 3 years before rescission allowed
“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).”

Completing the Tax Rate Form A-2 for Enterprise Funds

Why Adopt an Enterprise Fund?

- Identifies total service cost (direct, indirect, capital)
- Provides management information on revenues, expenses, performance
- Retains surplus and investment income within the fund

Completing the Tax Rate Form A-2 for Enterprise Funds

Eligible Services

- Utilities: water, sewer, stormwater, trash disposal
- Cable TV public access
- Health care: ambulance, hospitals, nursing homes
- Recreation: skating rinks, pools, golf courses, beaches
- Transportation: airports, docks, wharves.

Completing the Tax Rate Form A-2 for Enterprise Funds

Enterprise Fund Budget – Revenues, Available Funds, Expenses

- Proposed annually by March 1; subject to appropriation process
- Revenues: user charges, rentals, grants, investment income
- Available funds: retained earnings, premiums, assessments, stabilization
- Expenses: salaries, operations, capital outlay, indirect costs

Completing the Tax Rate Form A-2 for Enterprise Funds

Why would you complete tax rate recap form A-2?

- If your community voted an enterprise fund under 44:53 F1/2 for an eligible service voted to begin in the fiscal year's tax rate that is being set, you would complete the form A-2 for that enterprise fund.

Completing the Tax Rate Form A-2 for Enterprise Funds

Enterprise Funds – Key Concepts

- Retained Earnings
- Indirect Costs
- General Fund Subsidy

Completing the Tax Rate Form A-2 for Enterprise Funds

Enterprise Fund Budget – Retained Earnings

What are “Retained Earnings”?

- Retained earnings are the free cash of the enterprise fund
- May be appropriated for any legal purpose related to the enterprise fund only
- Cannot be expended until certified at the same time free cash is certified
- Expire at June 30 of the next fiscal year end, just like free cash

Completing the Tax Rate Form A-2 for Enterprise Funds

Enterprise Fund Budget – Indirect Costs

Indirect Costs:

Costs fully appropriated in the general fund budget but reimbursed by the enterprise fund to the general fund for the enterprise fund's share of those costs

Examples:

- Accountant's, collector/treasurer's, town manager's salary attributable to accounting for the enterprise fund
- Health insurance costs for enterprise fund employees
- Debt service
- Information technology (IT) infrastructure and support
- Property and vehicle liability insurances
- Legal services
- Independent audit services
- Actuarial services related to other postemployment benefits
- Other costs that may be agreed to and documented

A determination of these costs is necessary to analyze the total cost of service delivery.

Completing the Tax Rate Form A-2 for Enterprise Funds

Enterprise Fund Budget – Indirect Cost Methodology

Indirect Costs - Methodology:

1. **Actual cost** – Identify the concrete costs attributable to the enterprise operation based on documented schedules or bills payable, including debt service and insurance premiums. Among items applicable under this method are personnel benefits, like health and life insurances plans, as well as Medicare costs.
2. **Proportional** - Calculate the enterprise program's net-of-debt budget as a percentage of the total combined net-of-debt budget of that program and the general fund. Then apply the percentage calculated for the enterprise against the total budget (including employee benefits) of each non-enterprise department that provides support to it or against the total cost of a specific type of expenditure. Appropriate examples of the latter would include contributory retirement, IT, and annual audits.

Completing the Tax Rate Form A-2 for Enterprise Funds

Enterprise Fund Budget – Indirect Cost Methodology

Indirect Costs - Methodology:

3. **Estimate of support** - Apportion estimated work hours spent by non-enterprise department personnel in support of the enterprise. Let's say, for example, the town accountant estimates she spends an average of three hours weekly, or 10 percent of her time, working on enterprise transactions (e.g., bookkeeping, processing warrants payable, etc.). Apply this percentage against the town accountant's salary and benefits.
4. **Transaction-based** – Quantify the actual number of transactions attributable to the enterprise service and translate it to a percentage of a whole. An example would be the total number of water bills processed by the collector's office as a percentage of the total number of all types of collections processed by that office. Apply this percentage against the collector office's total personnel budget.

Completing the Tax Rate Form A-2 for Enterprise Funds

Enterprise Fund Budget – Indirect Cost Methodology

Indirect Costs - Methodology:

3. Estimate of support - Formula

$$\frac{\text{Accountant hours spent on enterprise activities per year}}{\text{Accountant's total working hours per year}} \times \text{Accountant personnel budget} = \text{Indirect Departmental Salaries}$$

Completing the Tax Rate Form A-2 for Enterprise Funds

Enterprise Fund Budget – Indirect Cost Methodology

Indirect Costs - Methodology:

4. Transaction-based – Formula

$$\frac{\begin{array}{l} \text{\# of sewer collections processed} \\ \text{by collector's office} \end{array}}{\begin{array}{l} \text{\# of all collections processed} \\ \text{by collector's office} \end{array}} \times \begin{array}{l} \text{Collector's office} \\ \text{personnel budget} \end{array} = \begin{array}{l} \text{Indirect} \\ \text{Departmental} \\ \text{Salaries} \end{array}$$

Completing the Tax Rate Form A-2 for Enterprise Funds

Enterprise Fund Budget – Indirect Costs – Final Thoughts...

Indirect Costs

Whatever method is used to calculate indirect cost should be documented (policy developed) and consistent.

Completing the Tax Rate Form A-2 for Enterprise Funds

Enterprise Fund Budget – General Fund Subsidy

General Fund Subsidy :

- Enterprise funds do not, by law, have to be self-supporting.
- The municipality may choose to support an enterprise fund when enterprise revenues are insufficient to support the enterprise fund budget. This is called a general fund subsidy.
- The general fund subsidy is an amount of money appropriated for the enterprise fund budget from taxation or any available fund, such as:
 - Free Cash
 - Stabilization
 - Overlay surplus

Completing the Tax Rate Form A-2 for Enterprise Funds

Completing the A-2 – Who completes this form?

- May vary in each municipality
- Generally the accountant
- Must be signed by the accounting officer

Completing the Tax Rate Form A-2 for Enterprise Funds

Where do you find the form A-2?

Division of Local Services Gateway



Welcome to
Massachusetts Division of Local Services Gateway
DLS Gateway offers local officials an immediate way to enter data and verify submission status across all the regulatory review programs administered by Division of Local Services. The following online services are currently available:



Public Reports and Database

- ▶ Municipalities with Approved Tax Rate
- ▶ Municipal Fiscal Year Recaps
- ▶ Municipal Proforma Recap
- ▶ Municipal Levy Limit
- ▶ Districts with Approved Tax Rate
- ▶ District Fiscal Year Recaps
- ▶ District Pro Forma Recap
- ▶ Local Officials Directory
- ▶ LA3 - Parcel Search
- ▶ LA-19 Equalized Valuation Report
- ▶ Corporation Book On-line Search
- ▶ Search DLSLAW Library
- ▶ Search FMRB Projects

Free Cash Calculations

- ▶ City & Town Free Cash
- ▶ Free Cash Proof Comparison
- ▶ District Free Cash
- ▶ Regional School District Excess & Deficiency

Division of Local Services

- ▶ DLS Web Site
- ▶ Contact Gateway/IT Support
- ▶ DLS Databank Analytics & Reports
- ▶ Bureau of Local Assessment
- ▶ Bureau of Accounts

LOG IN
Enter your User Name and Password.
User Name
Password
Password is case-sensitive

[Forgot password?](#)
[Forgot user name?](#)
System times out after 30 minutes without use. Login again to continue.
Want to Become an Authorized User?
DLS Gateway is restricted to elected and appointed municipal officials. To learn more about how to become an authorized user, please [click here](#)

Log in here



dlsgateway@dor.state.ma.us

For user account/Gateway technical issues

Completing the Tax Rate Form A-2 for Enterprise Funds

Where do you find the form A-2?

The screenshot shows the 'Division of Local Services Gateway' website. A red arrow points from the title to the 'Taxrate' tab in the navigation bar. The 'Taxrate' tab is highlighted in orange. Below the navigation bar, the 'Tax Rate - Assessments' section is expanded, showing a list of links. A red arrow points from the 'A-2 Enterprise Funds' link to the 'Tax Rate' section. The 'Tax Rate' section has a red title and a table of FAQ's.

Division of Local Services Gateway

Tracking | Certification | **Taxrate** | Balance Sheet | Schedule A | District Taxrate | District Balance Sheet

Tax Rate - Assessments

- Omitted & Revised Assessment Report
- Audited Personal Property
- LA-13A
- LA-4
- LA-13 Upload
- View/Edit/Submit Growth
- LA-13

Tax Rate - Finance

- A-1 Offset Receipts
- A-2 Enterprise Funds**

Taxrate

Tax Rate

FAQ's	
Question	
▶ How do I remove or update a signature?	
▶ How can I submit my DE-1 if my Levy Limit form is already submitted?	
▶ I need to submit a form but I don't see a Submit button. How can I submit the form?	

Completing the Tax Rate Form A-2 for Enterprise Funds

Completing the A-2 – Where does the information come from?

The information to complete the form A-2 of the tax rate recap comes from two places:

- The vote of the legislative body taken at annual town meeting and any other appropriation votes taken subsequent to the setting of the last annual tax rate. These belong on the A-2, column (b).
- The prior year-end revenue ledger for the applicable enterprise fund. These belong on the A-2, column (a).

Completing the Tax Rate Form A-2 for Enterprise Funds

Completing the A-2 – Where does the information come from?

In City Council, January 13, 2025

ORDERED:

That the following named sum be and the same is hereby transferred as the same
was submitted by the Mayor as follows:

Transfer of: \$3,200,000.00

FROM: FY25 DPW WATER RETAINED EARNINGS	\$3,200,000.00	C
--	----------------	---

TO: NEW WATER MAIN CAPITAL FUND	\$3,200,000.00	A
---------------------------------	----------------	---

Completing the Tax Rate Form A-2 for Enterprise Funds

Completing the A-2 – Where does the information come from?

ORDERED 3. Moved that \$22,665,313 be appropriated for the Water enterprise fund that \$2,000,000 be included in appropriations to the general fund for indirect costs and be allocated to the Water enterprise fund for funding and that \$24,665,313 be raised as follows:

User Charges	\$21,200,000	D
Retained Earnings	3,465,314	C
TOTAL	24,665,314	

Water

Personal Services - Overtime	\$705,254	
Personal Services - Other Than Overtime	2,700,530	
Purchase of Services	5,954,850	
Goods and Supplies	961,000	
Debt Service	3,121,679	
Other Contracted Services	9,222,000	
Direct Costs	22,665,313	A
Indirect Costs	2,000,000	B
TOTAL	24,665,313	

Completing the Tax Rate Form A-2 for Enterprise Funds

Completing the A-2 – Where does the information come from?

In City Council, May 27, 2025

ORDERED:

That the following named sum be and the same is hereby transferred as the same
was submitted by the Mayor as follows:

Transfer of: \$1,550,000.00

FROM: DPW WATER – RETAINED EARNINGS \$1,550,000.00 C

TO: DPW WATER – DESAL FIXED CHARGE \$1,550,000.00 A

A and E



Also, there was a \$50,000 transfer
between two budget line items in the
Water Enterprise Fund.

Completing the Tax Rate Form A-2 for Enterprise Funds

Completing the A-2 – Where does the information come from?

Enterprise fund number

A-2(2ND) Of 6

Type of enterprise fund

Water

Name of enterprise fund/statutory reference

Water

Retained Earnings Certified	Date Certified	Amount Certified
FY 2025 Retained Earnings (as of 06/30/2024)	12/12/2024	12,417,821
FY 2026 Retained Earnings (as of 06/30/2025)		

- Actual revenues come from the general ledger for the year just closed.
- Revenues in both column (a) and (b) should be shown on the appropriate line, not as one amount on the user fee line.
- All votes taken after the last tax rate was set belong in column (b) for both revenues and costs appropriated.

1. Enterprise revenues and available funds

a. User charges

Other departmental revenue

Investment income

Total revenues

Retained earnings appropriated from July 1, 2024 Certification

Retained earnings appropriated from July 1, 2025 Certification

Other enterprise available funds TR W/ IN ENTERPRISE

Total revenues and available funds

(a)
FY 2025
Actual Revenues

(b)
FY 2026
Estimated Revenues

Percent Change

19,304,676.64	19,500,000.00	1.01
1,402,668.72	1,700,000.00	21.20
0.00	0.00	0.00
20,707,345.36	21,200,000.00	
	8,215,314.00	**
	0.00	**
	50,000.00	
20,707,345.36	29,465,314.00	

Sum D
Sum C

Sum E

(To Recap Pg 2, Part III B, line 3)

* Written documentation should be uploaded to support increases of estimated vs actual revenues

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

Completing the Tax Rate Form A-2 for Enterprise Funds

Completing the A-2 – Where does the information come from?

City/Town/District Name:

Town of - User Charges							
	FY24 Rate	FY25 Rate	\$ Change	% Change	FY24 Usage	Estimated Usage	Estimated Revenue
Tier 1	\$2.28	\$2.50	\$0.22	9.65%	396,751	396,751	\$991,878
Tier 2	\$3.19	\$3.50	\$0.31	9.72%	203,898	203,898	\$713,643
Tier 3	\$3.64	\$4.00	\$0.36	9.89%	66,775	66,775	\$267,100
Low income	\$1.82	\$2.00	\$0.18	9.89%	212	212	\$424
Irrigation Q3	\$3.19	\$3.50	\$0.31	9.72%	5,194	5,194	\$18,179
	\$6.37	\$7.00	\$0.63	9.89%	7,520	7,520	\$52,640
	\$8.19	\$9.00	\$0.81	9.89%	14,227	14,227	\$128,043
Comm'l Tier 1	\$9.10	\$10.00	\$0.90	9.89%	31,672	31,672	\$316,720
Comm'l Tier 2	\$11.83	\$13.00	\$1.17	9.89%	33,953	33,953	\$441,389
Irrigation Comm'l Q3	\$14.56	\$16.00	\$1.44	9.89%	524	524	\$8,384
	\$17.29	\$19.00	\$1.71	9.89%	751	751	\$14,269
					761,477	761,477	\$2,952,669

We need:

- Copy of the vote to increase the rates
- Date of the vote
- Effective date of the rate increase
- Explanation for any usage increase
- Upload this spreadsheet and the above information to the A-2

user charges

Completing the Tax Rate Form A-2 for Enterprise Funds

Completing the A-2 – Where does the information come from?

2. Total costs appropriated

a. Costs appropriated in the enterprise fund

Salaries, wages and expenses

21,143,635.00

Capital Outlay

3,200,000.00

Other

3,121,679.00

Total costs appropriated in the enterprise fund

27,465,314.00

2a

Sum of A

b. Indirect costs appropriated in the general fund

Health Insurance

200,000.00

Pension

150,000.00

Debt

650,000.00

Shared employees

1,000,000.00

Other

0.00

Total costs appropriated in the general fund

2,000,000.00

2b

Sum of B

Total costs

29,465,314.00

2a + 2b

The budget should be broken out into its separate categories.

The indirect costs should be broken out into their separate categories.

Completing the Tax Rate Form A-2 for Enterprise Funds

Completing the A-2 – Where does the information come from?

3. Calculation of subsidy (see instructions)

Revenue and available funds

29,465,314.00 (part 1 col b)

Less: Total costs

29,465,314.00 (part 2 total costs)

Less: Prior year deficit

0.00 (To Recap Pg 2 Part II B)

(Negative represents subsidy)

0.00

Total revenues equal total costs. In this scenario, there is no general fund subsidy.

Completing the Tax Rate Form A-2 for Enterprise Funds

Completing the A-2 – Where does the information come from?

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

a. Revenue and available funds	27,465,314.00
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	27,465,314.00 (Must equal total part 2a)

Although the total costs are 29,465,314, this section is asking for the sources of funding for costs appropriated in the enterprise fund only. Therefore, the amount here is 27,465,314. This amount must match the total in part 2a.

The total of this section is the amount that will carry to recap page 4, column (f) "From Enterprise Funds".

Completing the Tax Rate Form A-2 for Enterprise Funds

Completing the A-2 – Where does the information come from? – General Fund Subsidy

Enterprise fund number

A-2(3RD) ▼ Of 3

Type of enterprise fund

Trash Disposal ▼

Name of enterprise fund/statutory reference

SOLID WASTE

Retained Earnings Certified	Date Certified	Amount Certified
FY 2024 Retained Earnings (as of 06/30/2023)	10/26/2023	240,381
FY 2025 Retained Earnings (as of 06/30/2024)	9/24/2024	144,838

	(a) FY 2024 Actual Revenues	(b) FY 2025 Estimated Revenues	Percent Change
1. Enterprise revenues and available funds			
a. User charges	542,464.09	530,000.00	-2.30
Other departmental revenue	150.00	0.00	-100.00
Investment income	25,026.10	0.00	-100.00
Total revenues	567,640.19	530,000.00	
Retained earnings appropriated from July 1, 2023 Certification		175,650.00 **	
Retained earnings appropriated from July 1, 2024 Certification		0.00 **	
Other enterprise available funds		0.00	
Total revenues and available funds	567,640.19	705,650.00 (To Recap Pg 2, Part III B, line 3)	

* Written documentation should be uploaded to support increases of estimated vs actual revenues

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

Completing the Tax Rate Form A-2 for Enterprise Funds

Completing the A-2 – Where does the information come from? – General Fund Subsidy

2. Total costs appropriated		
a. Costs appropriated in the enterprise fund		
Salaries, wages and expenses	1,302,650.00	
Capital Outlay	0.00	
Other	0.00	
Total costs appropriated in the enterprise fund	1,302,650.00	2a
b. Indirect costs appropriated in the general fund		
Health Insurance	0.00	
Pension	0.00	
Debt	0.00	
Shared employees	0.00	
Other	0.00	
Total costs appropriated in the general fund	0.00	2b
Total costs	1,302,650.00	2a + 2b
3. Calculation of subsidy (see instructions)		
Revenue and available funds	705,650.00	(part 1 col b)
Less: Total costs	1,302,650.00	(part 2 total costs)
Less: Prior year deficit	0.00	(To Recap Pg 2 Part II B)
(Negative represents subsidy)	-597,000.00	
4. Sources of funding for costs appropriated in the enterprise fund		
a. Revenue and available funds	705,650.00	
b. Taxation	597,000.00	
c. Free Cash	0.00	
d. Non-Enterprise Available Funds	0.00	
Total sources of funding for costs appropriated in the enterprise fund	1,302,650.00	(Must equal total part 2a)

A Subsidy needs be voted

In this case, the total of section 4 does not go to recap page 4, column (f). Only the 705,650 goes to page 4 column (f). The 597,000 is already included on recap page 4, column (b) "Raise and Appropriate."

Completing the Tax Rate Form A-2 for Enterprise Funds

Completing the A-2 – Where does the information come from?

Current Documents - [upload new documents](#)

Name	Action
No documents to display.	

Signatures

Accounting Officer

I hereby certify that the actual revenues - Part 1 column (a) and the amounts appropriated - part 2(a & b) are to the best of my knowledge correct and complete.

Accountant's signature goes here.

The form A-2 is signed by the accounting officer

2

Questions?

Questions?

[BOA Field Representative Municipal Assignments](#)

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