



New Balance Sheet Reporting Requirements

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Important Dates & Information

New Browser Requirement for DOR Web Applications

On June 30, 2018 all Department of Revenue Web Applications, including DLS Gateway, will no longer accept connections from browsers using the TLS (Transport Layer Security) 1.0 encryption standard.

Most Web browsers automatically update themselves to maintain security standards. To verify that TLS 1.0 deactivation won't affect you, click the following link or paste the URL into your browser <https://tls1test.salesforce.com/s/>.

DLS Gateway Support can assist you if you have questions related to DOR's new security standard, please call us at 617-626-2350 or email us at DLSITGroup@dor.state.ma.us.

Proposed 2018 Equalized Valuations

Communities across the Commonwealth submit many different balance sheet formats for free cash certification. Submissions can vary because of the general ledger (GL) software used, how excel spreadsheets are organized, or the different reports printed from the GL software. They also range from just a few to hundreds of pages. These submissions are difficult and inefficient to review for the Bureau of Accounts (BOA), and it can be confusing for both new and veteran city auditors as well as town accountants.

In an effort to streamline, simplify, and develop consistency in the balance sheet submission process for free cash certification, we have developed a standardized balance sheet submission format for cities, towns, districts, and regional school districts. [Bulletin 2018-4: Balance Sheet Reporting Requirements](#) provides guidance on the matter. This new format, which will be implemented for FY 2018, is an excel workbook. It includes tabs for a combined balance sheet, fund balance detail for other funds (special revenue funds, capital project funds, trust and agency funds), and combines balance sheets for enterprise funds and internal service funds. It also has a template for the submission for the undesignated fund balance roll-forward. Along with this workbook, we will also require a system generated trial balance for the general fund and a detail transaction report of the undesignated fund balance account.

Our new balance sheet workbook does not include formatting or formula protections. This was intentional to allow communities to modify forms to fit their individual needs, such as adding or deleting enterprise fund columns or changing titles on the combined balance sheet to suit the city and town's individual needs. However, it's important that you do not combine the real estate-related receivable accounts or the deferred revenue accounts because we use that information for our internal verification process.

Along with our new standardized balance sheet workbook, we also developed a new submission method. This change is designed to make our [Gateway system](#) more intuitive by adding two new modules. These modules will appear as tabs across the top, similar to the "Tax Rate" and "Schedule A." These new "Balance Sheet" and "District Balance Sheet" tabs will contain all of the

Today, the Bureau of Local Assessment (BLA) posted the 2018 Equalized Valuations (EQVs) representing the full and fair cash value of all taxable property for each municipality as of January 1, 2018 to the Division of Local Services Gateway website at

<https://dls.gateway.dor.state.ma.us/gateway/Login>. Access can be made directly from the landing page by clicking on the *LA19 Equalized Valuation Report*.

These EQVs will be used as a basis of comparison among the 351 municipalities within the Commonwealth for certain state and local purposes. Specifically, EQV is used in the allocation of aid to public libraries, in the calculation of Chapter 70 funding, and in the reimbursement rate of school construction projects. Certain Cherry Sheet charges also use EQV: County Tax, Boston Metropolitan Transit District, Mosquito Control Projects and Air Pollution Control Districts. In addition, EQV is used in calculating a community's debt limit (M.G.L. c.44, § 10).

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Other DLS Links:

forms necessary for the balance sheet submission, including the cash reconciliation and treasurer's year-end cash form, outstanding receivables report, statement of indebtedness, snow and ice form, and the balance sheet checklist (Districts are not required to complete the snow and ice form. Regional School Districts are not required to complete the outstanding receivables or the snow and ice forms). These forms were previously found in Gateway under the "Miscellaneous Forms" tab. There will also be a new [balance sheet submission](#) form.

Although Gateway wasn't designed to submit the balance sheet, we found many cities, towns, districts, and regional school districts uploading their balance sheets to the checklist page on Gateway. Now, we will require cities, towns, districts, and regional school districts to upload the balance sheet through the balance sheet submission form on Gateway in order to have Free Cash or Excess & Deficiency certified. This balance sheet submission form will also reflect the status of all of the miscellaneous forms previously mentioned, which must be in "form submit" status before the user is allowed to submit the balance sheet. Watch for further details regarding a release date for these new modules.

Please note: this does not apply to cities and towns using the STAT accounting method.

Cities, towns, districts, and regional school districts will benefit from these two changes because the streamlined standardized balance sheet will provide consistency for the reviewers and a faster free cash turnaround. The new Gateway modules also provide users with a designated location for the balance sheet submission and field reps notification. As always, [Bureau of Accounts field reps](#) are happy to answer any questions, so please feel free to call.

Ask DLS: End of Fiscal Year - Part 1

This month's *Ask DLS* features frequently asked questions regarding the close of the fiscal year. Additional questions about closing the books for the fiscal year will be featured in the July edition of *City & Town*. Please let us know if you have other areas of interest or send a question to cityandtown@dor.state.ma.us. We would like to hear from you.

What is the deadline for completion of the associated work required to close the books for the fiscal year?

The fiscal year ends on June 30. July 15 is the date set by statute for the prior year's books to close. [M.G.L. c. 44, §§ 56 and 56A](#). However, the actual tasks or work associated with closing the books or readying them for your audit may be completed later. July 15 is the date by which any obligations arising through June 30 are determined for purposes of charging or encumbering operating

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appropriations. It is also the date by which any transfers needed to avoid any year-ending appropriation deficits must be made by (1) the legislative body, (2) the school committee from the line items it established within its annual appropriation, (3) the finance committee from the finance committee reserve fund or (3) the selectboard and finance committee under the alternative year-end transfer procedure. [M.G. L. c. 44, § 33B\(a\) and \(b\)](#); [M.G.L. c. 71, § 34](#); [M.G.L. c. 40, §§ 5A, 5C and 6](#). See Sections B and C of Informational Guideline Release (IGR) No. 17-13, *Appropriation*, on the alternative year-end transfer procedure.

When may an operating appropriation be encumbered at the close of the fiscal year?

An encumbrance is the accounting device used to ensure annual operating appropriations are not closed when employees and vendors have outstanding and enforceable contractual claims against those appropriations. With limited exceptions, municipal officers cannot incur contractual liabilities without a sufficient appropriation. [M.G.L. c. 44, § 31](#). Therefore, the liability must have been incurred during the fiscal year by a purchase order, contract or salary commitment that is chargeable to the appropriation made for that year's expenses. Those obligations are determined on or before July 15 when the books are closed for the prior year. [M.G.L. c. 44, §§ 56 and 56A](#).

Can a department's current year appropriation be charged or encumbered for the following expenses:

A. Office supplies, or salt and sand for snow operations, ordered at the end of the year for use next year?

Yes. Purchases of goods, materials and supplies by a municipal department are charged to the appropriation of the year the liability is incurred, *i.e.*, the year the order is placed, even if all or some of the supplies will be used next year. The school department, however, can charge such purchases made after next year's budget is approved to that appropriation, but cannot pay the bill until after July 1. [M.G.L. c. 71, § 49A](#).

B. Services to be performed entirely next year?

No. Services that will be performed entirely next year must be charged to that year's appropriation. However, this year's budget may be charged or encumbered to pay bills for services or recurring expenses performed in both years, *e.g.*, leases, membership dues or subscriptions. The school department may also charge this year's budget for prepayment of special education or educational collaborative tuitions, even though the services will be performed next year, *e.g.*, a bill for special education tuitions for July 1 to September 30 that is due June 30. [M.G.L. c. 40, § 4E](#); [M.G.L. c. 71, § 71D](#). No more than 12 months of services or recurring expenses should be charged to any year's budget.

If monies were included in departmental salary appropriation items to cover expected raises from collective bargaining agreements during the year and the year ends without agreements, may the funds be encumbered until the contracts

are settled?

Not if negotiations are still ongoing as of June 30 as there is no contractual obligation to pay any additional amounts to employees. This applies to monies appropriated in salary line items or a collective bargaining reserve voted to fund amounts owed in that particular fiscal year after the contracts were settled. To be able to appropriate those monies for any raises negotiated and approved in the next fiscal year, the legislative body has to transfer them by June 30 to the applicable line items in next year's budget, a general stabilization fund or a contract reserve special purpose appropriation not limited to any particular year. If the legislative body does not do so, the monies do not become available for appropriation unless and until they are certified by the Director of Accounts as part of the community's free cash as of July 1.

If a contract is settled and ratified by union members by June 30, however, the monies are available until July 15 for transfer by the school committee to fund the first year cost items of school contracts or appropriation or transfer by the legislative body to fund the first year cost items of other contracts.

June Municipal Calendar

| | | |
|----|----------------------------------|--|
| 1 | Town Clerk | Certify Appropriations The Town Clerk should certify appropriations immediately after town meeting so that the Accountant can set up accounts for every department for the next fiscal year. |
| 1 | Town Clerk | Update the Local Officials Directory (LOD) in Gateway The Town Clerk annually updates the LOD with the names and email addresses of any new local officials and with any changes to position titles. |
| 1 | Assessors | Determine Valuation of Other Municipal or District Land In any community where land is owned by another community or district, the Assessors value the land for in-lieu-of-tax payments and send a notice of the new valuation in the year following a revaluation year. |
| 1 | Bureau of Local Assessment (BLA) | Notification of Proposed EQVs (even-numbered years only) |
| 1 | BLA | Notification of SOL Valuations (even-numbered years only) |
| 10 | BLA | Conclude Public Hearings on Proposed EQVs (even-numbered years only) |
| 15 | BLA | Determine and Certify Pipeline Valuations |

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| 15 | BLA | Determine and Certify Telephone and Telegraph Company Valuations |
| | | Make Annual Preliminary Tax Commitment |
| 15 | Assessors | Assessors in quarterly communities, as well as those in semiannual communities issuing annual preliminary bills, should make the annual preliminary tax commitment by this date to ensure the ability to mail the bills by July 1 st . The commitment must be based on the prior year's net tax on the property and may not exceed, with limited exceptions, 50% of that amount. |
| | | Final Date to Make Omitted or Revised Assessments |
| 20 | Assessors | As required by <u>M.G.L. c. 59, §§ 75 and 76</u> , if a property was inadvertently excluded or mistakenly underassessed on the warrant for property taxes, it is the Assessor's role to fix the mistake and assess the property correctly. The assessment may not be made later than June 20 of the taxable year or 90 days after the date the tax bills are mailed, whichever is later. |
| | | Close Overlay Surplus to Surplus Revenue |
| 30 | Assessors | The transfer from overlay to the overlay surplus account is done on the Assessors' initiative or within 10 days of a written request by the Selectmen. |
| | | Deadline to Apply to Have Land Classified as Forest Land |
| 30 | Taxpayer | Per <u>M.G.L. c. 61, § 2</u> , this is the deadline to apply to the State Forester to have land certified as forest land. |
| | | Submit Annual Report of Omitted or Revised Assessments to BLA |
| | | Deadline to Submit Requests for Current Fiscal Year Reimbursements of Exemptions Granted Under the Various Clauses of M.G.L. c. 59, § 5 |
| 30 | Assessors | Assessors have until this date to submit a request to MDM for state reimbursement to offset the tax revenue lost from granted statutory exemptions. The state partially reimburses for these via the cherry sheet. If actual tax bills were mailed late, the reimbursement request deadline is extended to August 20. |
| | | Notification of Monthly Local Aid Distributions , see <u>IGR 17-17</u> for more cherry sheet payment information, monthly breakdown by program is available <u>here</u> . |
| 30 | State Treasurer | |

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