



DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

Geoffrey E. Snyder
Commissioner of Revenue

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To: Regional School District Business Officials
From: Deborah A. Wagner, Director of Accounts
Date: June, 2024

This letter sets forth the year-end reporting requirements under [G.L. c. 71, § 16B½](#) and [Department of Elementary and Secondary Education \(DESE\) Regional School District regulations, 603 Code of Massachusetts Regulations \(CMR\) 41.06](#), for certification of excess and deficiency (E & D) for the General Fund and certain other related matters. For all of the forms listed below, please use the forms found on our Gateway District Balance Sheet landing page, as they may have changed from the prior year.

E & D must first be certified by the Division of Local Services' (DLS) Bureau of Accounts (BOA) prior to the budget adoption by the regional school committee and subsequent submittal to the local appropriating authority for the assessment vote. If E & D is not certified prior to that vote, the District does not have authority to use E & D as a funding source in the FY2025 budget. If the District plans to use E & D after the vote, the District must follow the procedures as defined in statute to amend their budget, which may impact local assessments. The authority to appropriate E & D in the fiscal year expires on June 30.

New - Please be advised that, beginning with the 6/30/2027 certification of E&D, any Covid related deficits remaining on the balance sheet will be reductions to E&D. Please plan to fund any such structural deficits as part of the budget prior to the end of FY2027. If there is a remaining anticipated reimbursement pending for such deficit(s), documentation will need to be provided to BOA in order to avoid a reduction to the E&D certification.

Mail

Please do not mail items to the Division. Please contact your BOA Field Representative if you are unsure of where to electronically send a communication.

Balance Sheet – Form Submission Requirements

For FY2024, regional school districts must submit their balance sheet for excess and deficiency along with the following in Gateway:

- The Excel standardized balance sheet template that contains the following worksheets
 - i. Combined balance sheet for all funds and account groups
 - ii. Detailed fund balances for all funds
 - iii. Detail for Account groups

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- iv. Combining statements
- v. Detailed analysis of undesignated fund balance/surplus revenue
- Balance Sheet Checklist
- Cash Reconciliation Report
- Statement of Indebtedness
- Treasurer’s year-end report
- System generated trial balance printout for the general fund
- System generated detail transaction report of the undesignated fund balance account

All of these required forms must be in “form submit” status before the user will be allowed to submit the balance sheet template.

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, 2024 will be accepted for certification of E&D.

If you have any problems with submission in Gateway, please contact your BOA field representative.

Please be reminded that a regional school district that does not submit the required forms and schedules as of June 30, 2024 to BOA by November 30, 2024 may have all future monthly local aid payments (regardless of fiscal year) withheld until the forms and schedules have been submitted and accepted. [G.L. c. 58, § 18F](#); [DESE School Finance and Accountability Regulations, 603 CMR 10.03\(4\)\(g\)](#).

For regional school districts required to submit audited financial statements prior to certification of E & D, if the independent auditor’s opinion is adverse or disclaimed, the certification of E & D is at the Director of Accounts’ discretion.

All system generated trial balances and combined balance sheets must be presented in UMAS form. GAAP presentations of those items will not be accepted, which will delay the E & D certification process.

Balance Sheet Presentation

- 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 DESE, funding below the required net school spending level may result in a reduction of state aid.
- Please record only *realized* gains/losses on investments in the general fund. Unrealized gains/losses recorded in the general fund will negatively impact your Excess and Deficiency certification and should not be recorded there.
- Incurred but Not Reported (IBNR) claims of a self-insured health care trust fund must be accrued and reported on the balance sheet. A June 30, 2024 deficit in this fund is a reduction to E & D and must be funded in the FY2025 budget.

- Any balance as of June 30 in the State Special Education Reimbursement Fund (Circuit Breaker) can be no greater than DESE's FY2024 reimbursement, not including extraordinary assistance or funds obligated by the regional district school committee for FY2024 purposes. Any fund balance in excess of the allowable balance must close to the General Fund on June 30.
- The Regional Transportation Reimbursement Fund (RTR Fund) June 30 balance can be no greater than DESE's FY2024 reimbursement. Any fund balance in excess of the allowable balance must close to the General Fund on June 30.
- Treasurers of districts that have authorized debt may use an advance from available unrestricted funds before issuance of authorized debt to pay expenses for the projects or purposes for which the debt will be issued. Advances must be repaid during the same fiscal year and there are some restrictions. See Section VII, [IGR 2022-02, Borrowing](#) for an explanation of advance procedures and restrictions.
- For treatment in the calculation of E&D, capital project deficits remaining as of June 30 will continue to be a reduction to the E&D calculation, unless borrowing to cover the deficit was completed between July 1 and September 30. BOA has added an additional column on the capital project detail tab to report such borrowings. These borrowings should not appear on the 6/30/2024 balance sheet. If such a borrowing was issued, E&D will not be reduced.
- Debt authorized for jurisdictions required by special acts to obtain approval from the Commissioner of Revenue must first receive local approval and then the Commissioner's approval before advances and expenditure of funds can occur.
- Reservations of interest income from investments, rebates and Medicare/Medicaid reimbursements are unauthorized under the general laws. Therefore, unless a reservation of those revenues is authorized by special legislation or required by accounting standards prescribed by the Director, the reservation must be closed to the district's General Fund. Additionally, all encumbrances to the General Fund not supported by a legal commitment made to a third party as of June 30 must be closed.
- Premiums (net of issuance costs) and accrued interest received on bonds sold on or after December 13, 2021 must be used for project costs and to reduce the amount borrowed or reserved for appropriation for capital purposes. G.L. c. 44, § 20. Premiums (net of issuance costs) and accrued interest received on notes sold on or after December 13, 2021 must be applied to the first payment of interest on the notes. See Sections II-B and V, [IGR 2022-02, Borrowing](#). For premiums received on borrowings where any member has approved a debt exclusion, see [IGR 2022-01, Premiums and Surplus Proceeds for Proposition 2½ Excluded Debt](#).
- For calculating the maximum E & D under [G.L. c. 71, § 16B½](#) as of June 30, 2023, BOA will use five percent (5%) of the district's operating and capital budget for FY2024. 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. Accounting officials should analyze the deficit funds and plan to provide for the deficit in the near future.
- 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.
- When a purchase of goods or services is made, but not paid for before July 15th, then the amount of purchase needs to be **encumbered** from the appropriate budget line and reserved from undesignated fund balance.

Potential Increases to E & D

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

- FY2024 state aid payments received by September 30; and
- Federal/state reimbursements received by September 30 for FY2024 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 by the Director unless otherwise noted:

- 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 funded in the district assessment;
- A fund balance deficit in an individual Capital Projects Fund where funds were not borrowed by June 30 (refer to the bullet regarding capital project deficits); and
- A self-insurance health claims trust fund balance deficit (Note: the deficit must be funded in the FY2025 regional school district budget).
- Prepayments – except prepayment of special education tuition for a period not exceeding three months as allowed per MGL c.71 § 71D and collaboratives under MGL c. 40 § 4E

or those allowed under An Act Relative to School Operational Efficiency, Chapter 198 of the Acts of 2022.

Cash Reconciliation

A complete cash reconciliation includes reconciliation of the treasurer's cash book to the bank statements and the reconciliation of the treasurer's cash book to the general ledger cash accounts. The Director of Accounts may request documentation that this process has been completed at any time in order to perform the statutory duties of free cash certification.

Treasurer's Year-End Cash Report

The [Treasurer's Year-End Cash Report](#) as of June 30, 2024 must be completed and uploaded in the Gateway system by September 30, 2024, or upon submission of a June 30, 2024 balance sheet excess & deficiency certification, whichever is earlier. If you have any problems with report submission, please contact your BOA field representative.

We recommend that the records of the Treasurer's and Business Officer be reconciled monthly during the year to facilitate the completion of this report.

Statement of Indebtedness

The [Statement of Indebtedness](#) as of June 30, 2024 must be completed by September 30, 2024, or upon submission of a June 30, 2024 balance sheet for excess & deficiency certification, whichever is earlier. This form is downloaded from the DLS website and then uploaded into Gateway and the summary is entered directly into Gateway.

If you have any problems with submission in Gateway, please contact your BOA field representative.

Notification of E & D Certification

Certification letters will be e-mailed to the superintendent, school business manager, the selectboard in each member town or the city council in each member city immediately upon approval, to the email address in the Local Officials Directory (LOD) located in Gateway. Officials are advised to periodically check the LOD for accuracy of their email addresses and notify their District Clerk of any changes.

[G.L. c. 58, § 18F; DESE School Finance and Accountability Regulations, 603 CMR 10.03\(4\)\(g\).](#)

DOR, in conjunction with DESE issued [DOR-DESE Joint guidance on Excess and Deficiency above 5 percent of RSD budget](#). Please refer to that guidance for any questions regarding procedures to give back the above 5% of RSD budget portion of E&D should any exist.

DLS Website and Mailing List Subscription

To subscribe to automatic notification of IGRs, Bulletins, LFOs, *City & Town* e-newsletter, Cherry Sheets and other DLS publications and information, please click [here](#).

BOA hosted a [webinar](#) on the completion of the forms required for certification of E&D. In this webinar, DLS staff provided instruction about how to complete the forms necessary for excess and deficiency certification. These forms, uploaded in Gateway, are used to calculate, and approve a regional school district's excess and deficiency amount each fiscal year. The slides from the presentation are also available [here](#).