



Things to Keep in Mind When Closing the Books on the Fiscal Year

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Earlier today, newly elected and appointed local officials joined DLS staff for the annual [New Officials Finance Forum](#) in Worcester. With an emphasis on the fundamentals of municipal finance in Massachusetts, the day fostered a team approach to municipal finance by developing an understanding of the responsibilities of the various municipal offices as well as their interrelationships and the role of the [Division of Local Services](#) (DLS). The day-long seminar covered a variety of topics including an overview of municipal government, the budget process, the tax recapitulation process and reserve and debt policies. Attendees also participated in group exercises with DLS table facilitators.

I want to thank all the officials who took time out of their busy schedules to attend and the DLS staff who provided their expertise at the tables and on the podium. We enjoyed the opportunity to meet everyone in person and look forward to working with you in your new roles. To view the full presentation from the event, please [click here](#).

These new public officials are now joining their colleagues in prepping for the end of the fiscal year. Amazingly enough, FY19 is less than 30 days from turning into FY20 and it's that time of year to start planning to close the books on one year and open a new set for another. I want to remind you of just a few of the many things you should keep in mind at this time of year:

- Drawdown any state or federal reimbursable grants. Certain grant deficits as of June 30th reduce free cash. If you have questions about such a deficit, contact your BOA field representative for additional guidance.
- Review capital project funds and make sure any internal borrowings have been taken care of via the issuance of either short- or long-term debt by June 30. Similar to above, any deficits (cash basis) in

Important Dates & Information

DLS Bureau of Accounts Seeks Field Representative

The Bureau of Accounts is currently seeking applicants for a field representative position in

its Boston office. For more information on this opportunity, please [click here](#).

Cybersecurity Awareness Grants Available for Municipalities and School Districts

Did you know that the most common cause of cybersecurity incidents in local government is an employee clicking on a malicious link? According to the [Center for Internet Security](#), “phishing was the most pervasive attack vector resulting in data breaches overall, so priority should be given to protecting against those particular threats.”

The Cybersecurity Awareness Grant Program makes it easy to provide your staff with online training and simulations. The application process is simple and there is no cost for awarded communities. Applications must be submitted by June 14th, so don't delay. For more information, visit <https://www.mass.gov/how-to/apply-for-the-cybersecurity-awareness-program> or contact Jorge Pazos at jorge.pazos@mass.gov or (617) 701-8901.

Latest Issue of *Buy the Way* Now Available

Don't miss the May 2019 edition of [Buy the Way](#), the monthly Newsletter of the Operational Services Division (OSD).

Click [here](#) to get news and updates from OSD

capital project funds reduce free cash.

- Determine if any year-end budget transfers are required and utilize the expanded transfer authority that was approved as part of the Municipal Modernization Act.
- Prepare the FY20 preliminary property tax commitment.
- Submit requests for current fiscal year reimbursements of exemptions granted under the various clauses of [MGL ch. 59, sec. 5](#).
- Prepare your financial system for FY20 based on appropriation votes of the legislative body.
- Notify our [Municipal Databank](#) at databank@dor.state.ma.us regarding all votes (wins and losses) on Proposition 2½ overrides, underrides, debt exclusions, and capital exclusions. While not a financial matter, it is important to make sure that information in the [Local Officials Directory](#) (LOD) is verified and updated as the LOD determines the officials who have access to the DLS Gateway. In particular, verification of email addresses is critical since Gateway notifications are automatically generated and sent via distribution lists derived from the LOD. Additionally, all municipal clerks and assessors must certify the staff listing of assessors within the LOD by July 1. This is required for DLS approval of value certification and tax rate setting. For assistance in updating assessor information with the LOD, please contact Deb Joyce at joyced@dor.state.ma.us.

I wish you well as you start to prepare for the busy year-end/year-open phase of the municipal finance cycle. Soon enough, you'll be closing the books, meeting with your auditors, and submitting recaps for FY20. Remember that your [BOA and BLA field representatives](#) are available to assist with any questions you may have.

Scouting Reserves: Does Your Community Meet the Standard?

Tony Rassias - Bureau of Accounts Deputy Director
Theo Kalivas - Technical Assistance Bureau Project Manager

In our December 6, 2018 *City & Town* article entitled

delivered to your inbox.

New Informational Guideline Releases and Bulletins

The Division of Local Services has posted on its website the following Informational Guideline Releases (IGRs) regarding the form and content of tax bills, cost of living adjustments for FY2020 and certification standards.

[IGR 19-1 Fiscal Year 2020
Tax Bills Semi-annual
Payment System](#)

[IGR 19-2 Fiscal Year 2020
Tax Bills Semi-annual
Payment System –](#)

[Optional Preliminary Bills](#)

[IGR 19-3 Fiscal Year 2020
Tax Bills Semi-annual
Payment System – Annual](#)

[Preliminary Bills](#)

[IGR 19-4 Fiscal Year 2020
Tax Bills Quarterly
Payment System](#)

[IGR 19-5 Social Security
Deduction for Fiscal Year
2020](#)

[IGR 19-6 Optional Cost of
Living Adjustment for Fiscal
Year 2020 Exemptions](#)

[IGR 19-7 Calendar Year
2019 Adjustment in Land of
Low Value Foreclosure](#)

[Valuation Limit](#)

[IGR 19-8 Certification
Standards – Guidelines for
Development of a Minimum
Reassessment Program](#)



“[Identifying Fiscal Stress: Diminishing Reserves.](#)” we included links to financial policies on municipal reserves written by the Division of Local Services (DLS), the Massachusetts Municipal Association’s (MMA) Fiscal Policy Committee and by the Executive Board of the Government Finance Officers Association (GFOA). DLS recommends reserve levels of 3% to 5% of the general fund budget and the MMA’s recommended reserve amount is at least 5%. Armed with this guidance, we utilized DLS data to research how many Massachusetts communities have certified free cash amounts at or above these standards. We based our analysis on the reserve percentages suggested by DLS and MMA, but not the two-month dollar amount suggested by the GFOA as we do not have that information from each community. What follows is a look at our findings.

Stats Used

We looked at July 1, 2018 certified free cash for each community as found in [Category One of the Massachusetts Municipal Finance Trend Dashboard \(Dashboard\)](#), divided by the community’s FY2019 general operating budget as found in [Category Four of the Dashboard](#) (General Fund Revenues and Expenditures, Total Budget per Capita). Please note that appropriations from reserves after June 30, 2018 and not replenished will affect the community’s standing as presented in this article.

Our Approach

After dividing certified free cash by general fund budget for each of the 351 communities in the state, we discovered that 181 out of 343 with certified free cash met the MMA percentage standard and 282 met the DLS percentage standard. The eight “undetermined” communities shown in the table below do not have free cash certified as of the date of this publication.

	0% to < 3%	3% to < 5%	5% to < 7%	7% to < 10%	> 10%	Undetermined	Total
Cities	19	18	9	4	5	2	57
Towns	42	83	56	53	54	6	294
Total	61	101	65	57	59	8	351
				Met MMA Standard	181		
				Met DLS Standard	282		

Source: DLS Dashboard, Categories 1 and 4

Additional Research

A typical calculation of reserves to budget includes both certified free cash and the community’s general stabilization fund, either of which may be appropriated for any lawful purpose. Both amounts are found in Category One of the Municipal Trend Dashboard, although the general stabilization fund balance may have been taken from a final Schedule A as shown in the Dashboard, an unapproved Schedule A as presented at the time of this writing, balance sheet or audit as of June 30, 2018.



Other DLS Links:

[Local Officials Directory](#)

[Municipal Databank](#)

[Information Guideline Releases \(IGRs\)](#)

[Bulletins](#)

[Publications & Training Center](#)

[Tools and Financial Calculators](#)

As in our prior approach, we used the FY2019 general fund operating budget amount as found in [Category Four of the Dashboard](#). Reserves held in funds other than free cash and general stabilization may be sufficient to meet either or both percentage standards, but are not reflected in our review. Dividing their combined certified free cash and general stabilization fund balance by their general fund budget for 351 communities, we discovered that 326 met MMA's percentage standard and 346 met the DLS percentage standard.

	0% to < 3%	3% to < 5%	5% to < 7%	7% to < 10%	> 10%	Total
Cities	4	6	10	16	21	57
Towns	1	14	38	54	187	294
Total	5	20	48	70	208	351
			Met MMA Standard		326	
			Met DLS Standard		346	

Source: DLS Dashboard, Categories 1 and 4, Schedule A, balance sheet, or audit

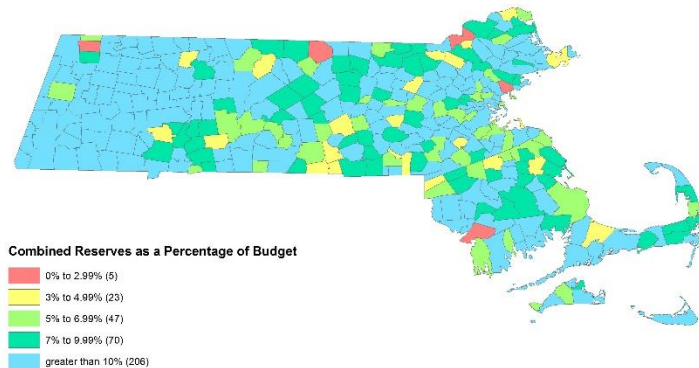
For 351 communities with certified free cash and/or a stabilization fund balance, the greatest percentage of these reserves to general fund budget was found in Erving (89.8%) and the least in Lynn (1.2%). The median for all communities was 11%.

Erving has a written financial reserve policy “to help the Town stabilize finances and maintain operations during difficult economic periods.” In fact, it is common for western Massachusetts communities to have a high level of these reserves. Data reveals that of the 59 communities with greater than 20% of their FY2018 general fund budget in free cash and stabilization fund as a reserve, 40 or 68% of them are west of Worcester County.

The Heat Map

The following map displays the percentages of reserves to general fund operating budgets around Massachusetts.

FY2019 Combined Reserves



For a larger version of this map with community names, [click here](#).

Additional Guidance

As seen in the previous table, there are 346 communities that have met the DLS standard and five that have not. What is our advice to these five?

- Complete your community's June 30, 2018 balance sheet and submit it to the Bureau of Accounts if July 1, 2018 free cash has yet to be certified.
- Check the overlay for surplus. Overlay in excess of receivables and other amounts necessary for future abatement liability may be declared surplus by the assessors and transferred by the accountant to a fund which may be appropriated by the community's legislative body for any lawful purpose until June 30 or else be closed to the general fund (see [IGR 17-23](#)).
- Identify reserves held in accounts other than free cash and general stabilization in any bond rating calls, as they may not be clearly noted.
- Review our article, "[Identifying Fiscal Stress: Diminishing Level Reserves](#)," on how to strengthen reserve position.

Additional Resources

[Financial policies created for communities by the DLS Technical Assistance Bureau as a part of the Community Compact Program.](#)

[The Massachusetts Municipal Association \(MMA\) Fiscal Policy Committee's January 2016 best practice recommendation on municipal reserves.](#)

[The Executive Board of the Government Finance Officers Association's \(GFOA\) In September of 2015 recommended best practice on unrestricted fund balance.](#)

Ask DLS: Special Leave Indemnity Funds - Part 2

This month's *Ask DLS* features frequently asked questions about a section of the Municipal Modernization Act, [c. 218 of the Acts of 2016, § 60](#), which amended [G.L. c. 41, § 111F](#), the Injured on Duty Statute, to add by local adoption a special fund, known as the Special Injury Leave Indemnity Fund ("Fund"). Part 2 focuses on local procedures needed to implement and manage the Fund. To review Part 1 of this two-part series, please see the [May 2, 2019 edition of City & Town](#).

What is the procedure for adopting the special injury

leave indemnity fund?

Acceptance of the fourth paragraph of [G.L. c. 41, § 111F](#) is by majority vote of the municipality's legislative body, subject to charter. Once accepted, the Fund may be utilized for the current fiscal year, unless the city or town designates a later year in its acceptance. The city or town clerk must notify the Municipal Databank if the Fund is accepted or revoked.

What is the procedure to revoke acceptance of the special injury leave indemnity fund?

Acceptance may be revoked, but the city or town must wait until at least three years after acceptance. [G.L. c. 4, § 4B](#). Revocation also requires a majority vote of the municipality's legislative body, subject to charter.

How is the special injury leave indemnity fund managed?

Once a municipality has adopted the Fund, the municipal chief executive officer is authorized to expend monies from the Fund, without appropriation, to pay expenses under [G.L. c. 41, § 100](#) (reasonable medical and related expenses of such injured firefighters and police officers) and [G.L. c. 41, § 111F](#) (leave payments to police officers and firefighters injured in the line of duty during incapacity). Additionally, monies may be used for paying compensation other than salary to injured firefighters or police officers or providing replacement services for the injured fire or police officers.

Under [G.L. c. 4, § 7](#), a "chief executive officer" includes the mayor in a city and the board of selectmen in a town unless some other municipal office is designated to be the chief executive officer under the provisions of a local charter.

Expenditures cannot be made from the Fund, nor liabilities incurred, in excess of the amount of the balance of the Fund. The municipality may make supplemental appropriations to the Fund from other municipal funding sources, such as the tax levy, free cash or other available funds.

Any balance in the Fund continues from year to year; however, the chief executive officer may release specific amounts to the general fund, after determining that the amounts are not immediately necessary for the purpose of the Fund and not required for expenses in the foreseeable future.

Data Highlight of the Month: Reserves

Donnette Benvenuto - DLS Municipal Databank

The Division of Local Services offers a vast amount of municipal, financial and socioeconomic information. This month's data highlight focuses on reserves.

A community's reserves are made up of its [stabilization fund\(s\)](#), [free cash](#) and [overlay](#). Stabilization Fund and Free Cash can be found in the [Debt and Other Financial Indicators](#) section of the Databank website, with Overlay found in [Reports Related to Property Tax Data, Proposition 2 ½ and Other Statistics](#). Free cash, stabilization funds and overlay information dating back to 2003 is available and represents the amounts based on data submitted by cities and towns.

For more information, the [Municipal Financial Trend Dashboard](#) offers a visual snapshot of statewide Municipal Finance Trends by community in six different Categories. If you're looking to compare your community to others, check out our Community Comparison report [here](#).

For more information or help using any of these reports, contact us directly at databank@dor.state.ma.us or (617) 626-2384.

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 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**
- 15 BLA **Determine and Certify Telephone and Telegraph Company Valuations**
- 15 Assessors **Make Annual Preliminary Tax Commitment**
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 1st. 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.
- 20 Assessors **Final Date to Make Omitted or Revised Assessments**
As required by [M.G.L. c. 59, §§ 75](#) and [76](#), if a property was inadvertently excluded or mistakenly under-assessed 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.
- 30 Assessors **Close Overlay Surplus to Surplus Revenue**
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.
- 30 Taxpayer **Deadline to Apply to Have Land Classified as Forest Land**
Per [M.G.L. c. 61, § 2](#), this is the deadline to apply to the State Forester to have land certified as forest land.
- 30 Assessors **Submit Annual Report of Omitted or Revised Assessments to BLA**
- 30 Assessors **Deadline to Submit Requests for Current Fiscal Year**
Reimbursements of Exemptions Granted Under the Various Clauses of [M.G.L. c. 59, § 5](#)
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.

30 State
Treasurer

Notification of Monthly Local Aid Distributions

See [IGR 17-17](#) for more cherry sheet payment information, monthly breakdown by program is available [here](#).

To view the municipal calendar in its entirety, please [click here](#).

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Contact *City & Town* with questions, comments and feedback by emailing us at cityandtown@dor.state.ma.us.

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