



To: City, Town, Special Purpose District and Regional School District Treasurers
From: Deborah A. Wagner, Director of Accounts
Date: June, 2023

This letter sets forth the Treasurers' annual reporting requirements to the Division of Local Services' (DLS) Bureau of Accounts (BOA) and includes other matters.

State House Note Program

In connection with the State House note certification process, we emphasize the necessity for timely submission of notes and supporting documentation. BOA strongly suggests that note and supporting documentation be submitted **at least five business days** before the scheduled issue date. This eliminates the possibility of notes remaining uncertified as of the issue date, which would jeopardize receipt of funds. Also, a reminder to treasurers that the Depository Trust Company requires receipt of the actual note from the city, town, or district at least 48 hours prior to the note settlement.

Instructions for the state house notes program may be found [here](#). Please review this [webinar](#) to get a further explanation of the procedures to submit notes for certification.

For all of the forms listed below, **please use the forms found on our Gateway Balance Sheet or District Balance Sheet landing page, as they may have changed from the prior year.** [State House Note forms](#) are located on BOA's Public Finance Section on the [DLS website](#).

Special purpose districts that do not submit a Tax Rate Recap are required to submit, at a minimum, a balance sheet as of June 30, 2022 or a FY2022 audit in electronic format before certification of any State House Notes during FY2024.

Borrowing Terms

The DLS Director of Accounts' guidelines (Director's Guidelines) establish the maximum term that cities, towns, improvement districts and regional school districts may borrow to finance certain capital projects based on the useful life of the asset. These guidelines include (1) all borrowing purposes authorized by those statutes, (2) their maximum statutory terms, and (3) their maximum terms, if any, established by the Director. The [Director's Guidelines](#) are published on the DLS website under the BOA's Public Finance section. The terms established in the Director's Guidelines are the maximum borrowing terms allowed by law for that purpose.

Treasurer's Year-End Cash Report

The Treasurer's Year-End Cash Report as of June 30, 2023 must be completed and uploaded in the Gateway system by September 30, 2023, or upon submission of a June 30, 2023 balance sheet free cash/excess & deficiency certification, whichever is earlier. If you have any problems with report submission, please contact your BOA field representative.

The Treasurer completes Part I. Do not check off in Part II on behalf of the Accountant/Auditor if your community's town accountant or city auditor/comptroller is appointed under G.L. c. 41, §§ 48 or 55, a charter or special act. We recommend that the records of the Treasurer and Accountant or Auditor be reconciled monthly during the year to facilitate the completion of this report.

NEW - 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.

Statement of Indebtedness

This statement as of June 30, 2023 must be completed by September 30, 2023, or upon submission of a June 30, 2023 balance sheet for free cash/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.

Request for Debt Exclusion Information

To prevent delays in setting the FY2024 tax rate, we strongly suggest that Treasurers in communities with debt exclusions and premiums complete the [Debt Exclusion Form](#) (premium amortization form) and have these uploaded to form DE-1 of the tax rate recap when the tax rate recap is submitted. Please include the debt schedules or any other relevant information that supports this request.

In February, 2022, DLS issued [IGR 2022-01](#) *Premiums and Surplus Proceeds for Proposition 2 ½ Excluded Debt*. The following items were included in the IGR.

For **bonds** sold pursuant to a Proposition 2½ debt exclusion on or after December 13, 2021, the effective date of the COVID-19 Recovery Act, premiums (net of issuance costs) and accrued interest must be used to pay project costs and to reduce the amount of the borrowing authorization by the same amount. [G.L. c. 44, § 20](#). Additionally, the borrowing vote no longer

requires express authorization language. [G.L. c. 44, § 20](#). This change eliminates the need for the community to adjust the debt exclusion to reflect the true interest costs of the borrowing.

Additionally, premiums (net of issuance costs) and accrued interest received as a result of the issuance of bonds, in the amount of \$50,000 or less, can alternatively be applied to the payment of any debt service with the approval of the chief executive officer.

For **notes** sold on or after December 13, 2021, the effective date of the COVID-19 Recovery Act, premiums (net of issuance costs) and accrued interest must be applied to the first payment of interest on the note.

Surplus loan proceeds in any amount remaining after the project is completed may still be appropriated for any purpose for which the city, town or district may borrow for an equal or greater term than the term for which that loan was issued. When there is a surplus of \$50,000 or less, the city, town or district still has the option of applying the surplus to the payment of any debt service with the approval of the chief executive officer. [G.L. c. 44, § 20](#).

For bonds or notes sold before December 13, 2021, additions to the levy limit for a debt exclusion under Proposition 2½ continue to be restricted to the true interest cost incurred to finance the excluded project. [G.L. c. 40, § 20](#). As a result, the amount of the debt exclusion must still be reduced when premiums received on bonds or notes are not applied to the costs of the project. In addition, a reduction must be made when surplus loan proceeds from a borrowing excluded under Proposition 2½ are appropriated for a purpose or project that is not excluded. This IGR explains when a reduction in the amount of the debt exclusion for a municipal or regional school borrowing is required and how the reduction is determined.

Please see [Informational Guideline Release \(IGR\) 22-02](#), Borrowing, for other changes under the COVID-19 Recovery Act that affect municipal borrowing.

If you have any questions regarding the completion of the Debt Exclusion Form worksheet, please contact your BOA field representative.

Schedule of Outstanding Receivables

This schedule as of June 30, 2023 must be completed in Gateway by a city, town or special purpose district Treasurer and signed by the Accountant/Auditor who will upload any additional documentation for free cash certification to BOA. This schedule does not apply to regional school districts. This schedule compares the detailed listings of the Collector, Treasurer, or department head with the balance of certain outstanding receivables of the Accountant/Auditor.

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

Fidelity Bonds

To properly guard public funds, a jurisdiction's Treasurer and its Chief Executive Officer must periodically review who is handling these funds and ensure they are bonded either personally or by blanket coverage for at least at the minimum amount required by the Commissioner of Revenue. Click here for [How to Determine your Minimum Bond Amount using the Bond Amount Schedule](#).

Advances in Anticipation of Borrowing Proceeds

Treasurers 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. G.L. c. 44, § 20A. Advances must be repaid during the same fiscal year and there are some borrowing restrictions. See [IGR No. 2022-02, Borrowing](#), for an explanation of advance procedures and restrictions.

For treatment in the calculation of free cash, capital project deficits remaining as of June 30 will continue to be a reduction to the free cash 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 6/30/2023 balance sheet. If such a borrowing was issued, free cash will not be reduced. Also, if a community borrowed between September 30 and March 31 to cover a capital project deficit that reduced free cash, the community may request a free cash update.

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.

Certification of City/Town and Regional School District Notes and Receipt of Audit Reports

Audit reports for the period ending June 30, 2022 are required for cities, towns, and special purpose districts only if expenditure of federal funds exceeds \$750,000 or required by other regulatory agencies. Annual audits of regional school districts are required by G.L. chapter 71, § 16A and Department of Elementary and Secondary Education (DESE) School Finance regulations, [603 Code of Massachusetts Regulations 10.0](#).

Per federal guidelines, audits must be completed no later than nine months after the end of the fiscal year unless an extension is granted by the jurisdiction's federal cognizant agency or other regulatory agencies.

The Bureau will not certify revenue anticipation notes (RANs) of a city, town, special purpose district or regional school district if a required audit for the year ending June 30, 2022 has not been submitted.

Deficit Capital Projects Fund Balances

Year-end deficit fund balances resulting from anticipated governmental reimbursements or borrowing issuances are deducted from free cash (or from retained earnings) unless funds were borrowed (e.g., BANs, SAANs) by June 30, 2023 in an amount that equaled or exceeded the amount of the deficit.

For treatment in the calculation of free cash, capital project deficits remaining as of June 30 will continue to be a reduction to the free cash 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 for the accountant/auditor to report such borrowings. These borrowings should not appear on the 6/30/2023 balance sheet. If such a borrowing was issued, free cash will not be reduced. Also, if a community borrowed between September 30 and March 31 to cover a capital project deficit that reduced free cash, the community may request a free cash update.

Capital projects are analyzed on an individual, not aggregate, basis. Please also refer to the *Advances in Anticipation of Borrowing Proceeds* section of this document.

Chapter 90 Bond Issue Apportionments

Communities may spend Chapter 90 apportionments without appropriation. [Chapter 114, § 2 of the Acts of 2020](#). Spending from this apportionment could have a negative impact on free cash if expenditures are not reimbursed by June 30, 2023 unless:

- Borrowing occurs by June 30, 2023 in anticipation of receiving the reimbursement (see the *Advances in Anticipation of Borrowing Proceeds* section of this document);
- Reimbursement received by September 30, 2023 can be documented;
- A documented request for reimbursement was filed with MassDOT by September 30, 2023 and the Bureau is satisfied that payment will be made.

Division of Local Services Website

All Informational Guideline Releases (IGRs), Bulletins, Local Finance Opinions (LFOs) and other publications issued by DLS can be found on our website at www.mass.gov/dls. You can search for current IGRs, Bulletins and LFOs in the [DLSLAW Library](#).

The [Municipal Finance Training and Resource Center](#) section of the DLS website includes many educational resources for treasurers, including [Municipal Finance Management](#), [Debt and Borrowing](#) and [Collections](#). The Collections page includes a webinar presented by DLS personnel regarding [Delinquent Real Estate Taxes: Tax Taking Process](#).

The BOA completed two webinars that we believe will assist municipal finance officials in the completion of their free cash and tax rate recap submission, as follows:

- [Free Cash Upload & Certification Process Webinar Recording](#) (Video)
- [Completing the Tax Rate Recap Forms Webinar](#) (Video)

The [Municipal Finance Trend Dashboard](#) visualizes key municipal fiscal health indicators over a period of time. The six categories of metrics include operating position, unfunded liabilities, property taxes, revenues/expenditures, debt, and demographics.

NEW – Please visit the [Data Analytics and Visualizations](#) section of our website where you will find many interesting visualizations, including [Free Cash Use](#), [Trends in Local Receipts](#), and the [Municipal Financial Self-Assessment](#).

DLS 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](#).

If you have any questions with regard to any item addressed in this letter, please do not hesitate to contact your BOA field representative.