



L. JOYCE HAMPERS  
COMMISSIONER

RECEIVED BY  
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THE COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF REVENUE  
DIVISION OF LOCAL SERVICES  
CAMBRIDGE, MASS.

EDWARD J. COLLINS, JR.  
DEPUTY COMMISSIONER

BUREAU OF ACCOUNTS  
INFORMATIONAL GUIDELINE

RELEASE No. 82-01

SUBJECT:

Chapter 44, Section 53E--  
"Offset Receipts"

Purpose

During the 1981 session, the general court enacted Chapter 339. This was signed into law by the Governor on July 14, 1981. The subject matter of this enactment was analyzed in our Informational Guideline Release (IGR) No. #81-04.

As we enter a second year under Proposition 2½ as well as the first full year of applicability for the provisions of Chapter 339, now contained within Chapter 44, Section 53E of our general laws, there seems to be some renewed interest in the use of these so-called "offset receipts."

This IGR deals with the technical implementation issues. It assumes that the reader has familiarized him/herself with the provisions of the act. The IGR further assumes that the local community has taken the necessary steps to accept the provisions of Chapter 44, Section 53E, as required.

The balance of this release will deal with two issues--

1. How a community obtains approval for use of estimated receipts which exceed the actual receipts or expected receipts of the previous fiscal year. (Note--advanced approval is not necessary if estimated receipts are the same or less than the previous year.)
2. The typical accounting entries that will record the transactions related to these receipts and their related expenditures.

Approval

Chapter 44, Section 53E states, in part, that "...the use of such fees shall be limited to an amount not to exceed the actual amounts received during the previous fiscal year or such other estimated amount as may be approved, in advance of appropriation, by the Commissioner of Revenue or his (her) designee, and which is based upon adequate documented material supporting such estimated amounts." (Underlines added for emphasis)



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Chapter 44, Section 53E  
"Offset Receipts"  
page 2

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There are two issues that need some definition. First, there is a requirement of advanced approval if the estimated receipts to be allocated exceed the previous years. This approval must be obtained from the Director of Accounts who has been designated by the Commissioner of Revenue for this function.

Such a request for approval should be presented by the City Auditor or Town Accountant on the "separate Schedule A-1" which was included in the 1982 tax rate recapitulation package. (See exhibit A for a sample of this form) Approval will be noted at the bottom of the form if the submission is adequately supported. An approved form will be returned to the Auditor or Accountant (or other fiscal officer performing similar duties) to be used by the assessors when they set the tax rate.

Since the approval is to be obtained prior to the appropriation, any potential user of this legislation should arrange to obtain such approval before the town meeting, city council or other local appropriating body is asked to vote on the related budget(s).

The second issue relates to "adequate documented material." The intent is that there be sound, logical supporting substantiation behind any increases. Each situation will be somewhat unique, however, there are a few examples that might assist in application of this requirement.

Example A--Increase resulting from rate increases.

	<u>this year</u>	<u>last year</u>
Number of users	100	100
Rates	\$1.00	\$ .50
Estimated receipts	\$100	\$50

A 50% per use rate increase was approved by the Board of Trustees at their meeting of September xx, 19xx. A certified copy of the vote is attached.



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Example B--New service or function.

The Board of Selectmen adopted the policy of charging for \_\_\_\_\_  
this year. A certified copy of their vote is attached.

We anticipate collections for 19xx to amount to \_\_\_\_\_ based  
upon the following:

Prior years utilization 19x-1

19x-2

19x-3

Estimated utilization this year 19xx

Approved charges, (fees) (fines) per unit \_\_\_\_\_

This is further supported through the experience of xyz community  
which has been charging for this service, (function)(etc.)  
since \_\_\_\_\_.

Requests for approval that are not adequately supported  
will be denied.

### Accounting Entries

The typical entries necessary to record the transactions  
related to the use of "offset receipts" are illustrated in  
Exhibit B attached. There are four (4) illustrative examples  
included in the exhibit. They represent:

- I. A community that receives lesser receipts than originally estimated while actual expenditures match their related appropriations.
- II. A community that receives greater receipts than originally estimated while actual expenditures match their related appropriation.
- III. A community that receives lesser receipts than originally estimated and actual expenditures are less than their related appropriation.



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"Offset Receipts"  
page 4

- IV. A Community that actually receives greater receipts than originally estimated and actual expenditures are less than their related appropriations.

The entries are fairly self explanatory. It is obvious that entries #2 and #3 represent the aggregate of a number of entries that are automatically made as a result of posting each treasurer's schedule of cash receipts and each treasury warrant.

You should note the following:

- A. There are two new accounts introduced. They are:
1. Offset receipts control--19x3--to be used as a control account during the year. This will result in a zero (0) balance after year end entries are posted.
  2. Amounts to be raised--19x4--to be used to record requirements of Chapter 44, Section 53E related to deficiency in estimated "offset receipts" of previous year. This amount will be charged against year-end surplus revenue (excess and deficiency) when the Bureau computes your "free cash."
- B. The entries do not reflect cash receipts and cash disbursements timing problems. It is conceivable that the general fund will need to advance fund certain expenditures while awaiting certain allocated receipts. If this is the case we recommend the creation of a due from "offset receipts" account which could serve as a control during the year.
- C. There are two distinct controls which need to be separate. There is the regular appropriation control. Expenses may not exceed the appropriation even if receipts exceed their estimates. Furthermore, there is an offset receipt cash account control. Expenditures can be paid only to the extent of (a) the maximum allocated by the local appropriation body and (b) the extent of special cash available.



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Conclusion

There is one final requirement in Chapter 44, Section 53E that should be noted. The board, commission or other entity responsible for the operations of the department that has been authorized to use these "offset receipts" must file, within forty-five (45) days after the close of the fiscal year, a schedule of cash receipts and disbursements. This report must go to the mayor and the city council in a city or the board of selectmen or the town manager in a town. A copy of the report must also be filed with the Director of Accounts.

COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF REVENUE  
TAX RATE RECAPITULATION - SEPARATE SCHEDULE A-1  
OF

\_\_\_\_\_  
CITY/TOWN

OFFSET RECEIPTS

	(a) actual receipts fiscal 1981-1982	(b) estimated receipts* fiscal 1982-1983
1. Public Service Enterprises ..... Water	\$ _____	\$ _____
2. .... Sewer	_____	_____
3. .... Gas	_____	_____
4. .... Other	_____	_____
5. Hospital .....	_____	_____
6. Nursing Home .....	_____	_____
7. Recreation Department.....	_____	_____
8. Airport .....	_____	_____
9. ....	_____	_____
10. ....	_____	_____
11. ....	_____	_____
12. TOTAL	\$ _____	_____

I hereby certify that the actual receipts from the preceding fiscal year as shown in Column (a) are, to the best of my knowledge and belief, true, correct and complete.

\_\_\_\_\_  
DATE

\_\_\_\_\_  
ACCOUNTING OFFICER

We hereby attest that the receipts hereinbefore itemized have not been included in any other deductions from the total amount to be raised as shown in either Schedule A or Column (a) of Schedule B.

Board of Assessors of \_\_\_\_\_

\_\_\_\_\_  
DATE

\_\_\_\_\_  
ASSESSOR

\_\_\_\_\_  
ASSESSOR

\_\_\_\_\_  
ASSESSOR

\*If column (b) exceeds column (a) for any item prior written permission by the Director of Accounts is required. Attach a copy of said written authorization to this schedule for any such items.

AS OF 1/82 "OFFSET RECEIPTS" CY4 & 53E G.L. - ILLUSTRATIVE JOURNAL ENTRIES - STATUTORY ACCOUNTING SYSTEM

		I		II		III		IV	
		DR	CR	DR	CR	DR	CR	DR	CR
1									
2	①								
3	RECORD TOWN MEETING ACTION								
4	REVENUE - 1983	20000		20000		20000		20000	
5	OFFSET RECEIPTS CONTROL - 1983	5000		5000		5000		5000	
6	APPROPRIATION - PARK & REC.		25000		25000		25000		25000
7									
8									
9									
10	②								
11	RECORD USER FEE RECEIPTS FOR YEAR								
12	SPECIAL CASH	4800		5200		4800		5200	
13	OFFSET RECEIPTS CONTROL - 1983		4800		5200		4800		5200
14									
15									
16									
17									
18	③								
19	RECORD EXPENDITURES FOR YEAR								
20	APPROPRIATION - PARK & REC.	25000		25000		23000		23000	
21	SPECIAL CASH		4800		5000		4800		5000
22	GENERAL CASH		20200		20000		18200		18000
23									
24									
25									
26	④								
27	CLOSING YEAR-END ENTRIES								
28	↓								
29	NEXT PAGE								
30									
31									
32									



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TAX RATE RECAPITULATION - SEPARATE SCHEDULE A-1  
OF

\_\_\_\_\_  
CITY/TOWN

OFFSET RECEIPTS

	(a) actual receipts fiscal 1981 <u>1982</u>	(b) estimated receipts* fiscal 1982 <u>1983</u>
1. Public Service Enterprises ..... Water	\$ _____	\$ _____
2. .... Sewer	_____	_____
3. .... Gas	_____	_____
4. .... Other	_____	_____
5. Hospital .....	_____	_____
6. Nursing Home .....	_____	_____
7. Recreation Department.....	_____	_____
8. Airport .....	_____	_____
9. ....	_____	_____
10. ....	_____	_____
11. ....	_____	_____
12. TOTAL .....	\$ <u>_____</u>	<u>_____</u>

I hereby certify that the actual receipts from the preceding fiscal year as shown in Column (a) are, to the best of my knowledge and belief, true, correct and complete.

\_\_\_\_\_  
DATE

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ACCOUNTING OFFICER

We hereby attest that the receipts hereinbefore itemized have not been included in any other deductions from the total amount to be raised as shown in either Schedule A or Column (a) of Schedule B.

Board of Assessors of \_\_\_\_\_

_____	_____	_____	_____
DATE	ASSESSOR	ASSESSOR	ASSESSOR

\*If column (b) exceeds column (a) for any item prior written permission by the Director of Accounts is required. Attach a copy of said written authorization to this schedule for any such items.

AS OF 1/82 "OFFSET RECEIPTS" CY4 & 53E G.L. - ILLUSTRATIVE JOURNAL ENTRIES - STATUTORY ACCOUNTING SYSTEM

		I		II		III		IV	
		DR	CR	DR	CR	DR	CR	DR	CR
①									
RECORD TOWN MEETING ACTION									
REVENUE - 1983		20000		20000		20000		20000	
OFFSET RECEIPTS CONTROL - 1983		5000		5000		5000		5000	
APPROPRIATION - PARK & REC.			25000		25000		25000		25000
②									
RECORD USER FEE RECEIPTS FOR YEAR									
SPECIAL CASH		4800		5200		4800		5200	
OFFSET RECEIPTS CONTROL - 1983			4800		5200		4800		5200
③									
RECORD EXPENDITURES FOR YEAR									
APPROPRIATION - PARK & REC.		25000		25000		23000		23000	
SPECIAL CASH			4800		5000		4800		5000
GENERAL CASH			20200		20000		18200		18000
④									
CLOSING YEAR - END ENTRIES									
↓									
NEXT PAGE									

"OFFSET RECEIPTS" C44 553E 6.L. - ILLUSTRATIVE JOURNAL ENTRIES - STATUTORY ACCOUNTING SYSTEM

		DR I CR		DR II CR		DR III CR		DR IV CR	
④ YEAR-END CLOSING ENTRIES									
I	AMOUNTS TO BE RAISED - 1984								
	OFFSET RECEIPTS CONTROL - 1983	200							
			200						
II	OFFSET RECEIPTS CONTROL - 1983 (DISBURSE VIA A)								
	SPECIAL CASH (TREAS. WARRANT)			200					
	GENERAL CASH				200				
	ESTIMATED RECEIPTS - EXCESS OFFSET REC. (RECEIVE VIA A)			200					
					200				
III	AMOUNTS TO BE RAISED - 1984								
	OFFSET RECEIPTS CONTROL - 1983					200			
	APPROPRIATIONS - PARK & REC.						200		
	REVENUE - 1983					1000			
							2000		
IV	OFFSET RECEIPTS CONTROL - 1983 (DISBURSE VIA A)								
	SPECIAL CASH (TREAS. WARRANT)							300	
	GENERAL CASH								200
	ESTIMATED RECEIPTS - EXCESS OFFSET REC. (RECEIVE VIA A)							200	
									200
	APPROPRIATIONS - PARK & REC.							2000	
	REVENUE - 1983								2000



7.

S-358

Comm. from Paul E. Healy, City Clerk, transmitting comm. from L. Joyce Hampers, Commissioner, Dept. of Revenue Re: Chapter 44, Section 53E of the Mass. General Laws, regarding "offset receipts".

*copy sent to the City Manager  
4/13/82 mh*

In City Council,

April 12, 1982

*4/12/82*

*Placed on File -  
Copy to City  
Manager -*