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CITY & TOWN

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Amended Federal Single Audit Act of 1996

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In 1984, Congress passed the Federal Single Audit Act which replaced a variety of previous audit requirements for state and local governments receiving federal grants. Ten years later, the Single Audit Act underwent a performance evaluation by the US Government Accounting Office. The evaluation concluded that the act had generally been successful, but improvements in the audit process could be made. Based upon the evaluation recommendations, Congress amended the Single Audit Act in July of 1996. Changes resulting from that act will be effective for the fiscal year ending June 30, 1997. In this article we discuss several of the amendments and their impact on municipalities.

Definitions:

Audit — an independent examination of the financial statements, procedures, programs and financial data to determine compliance with statutes, regulations and accounting standards.

Program Audit — an examination of the programs for which funds are received to establish whether the programs meet the stated goals and objectives.

Audit Threshold

Under the Single Audit Act of 1984, any community that received $100,000 or more in federal financial assistance in one year had to complete an audit. Communities that received $25,000 to $100,000 of federal financial assistance had the option of completing a single audit for the municipality or performing a program specific audit. In the revised act, the threshold increases significantly. The grantee is not required to obtain an audit unless $300,000 or more is *expended* in one year. Not only does this change the full audit requirement for entities expending less than $300,000, but it allows entities receiving funds from only one program to have a program audit rather than a full audit. Furthermore, the revised act enables the Office of Management and Budget (OMB) Director to review the audit threshold every two years and adjust it upward if circumstances warrant.

Uniform Audit Requirements

Currently, institutions of higher education and other non-profit institutions (such as non-profit community transportation and education organizations) must comply with a set of federal guidelines and requirements for auditing purposes (OMB Circular A-133). The revisions to the Single Audit Act will require entities to share the same requirements as state and local governments.

Definition of Federal Assistance

Since 1984, the term federal assistance has been defined as the direct and indirect (pass-through funds via states) federal funding of programs. In 1987, OMB guidelines amended the definition to include other forms of assistance such as surplus property and food commodities. Under the newly revised act, federal financial assistance is defined as assistance that non-federal entities receive or administer such as grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, food commodities, and direct appropriations. Furthermore, federal programs are defined by their federal domestic catalog numbers. The use of catalog numbers allows the consolidation of closely related programs for auditing purposes.

Audit Deadline

Currently, audits must be completed within 13 months after the period audited. Municipalities submit audit reports to the Department of Revenue's Division of Local Services for review and subsequent submission to the OMB clearinghouse. Under the revised act, the audit deadline date is reduced to nine months after the period audited. The nine-month deadline can be extended if the federal agency deems that the time-frame would place an undue burden on the audited entity. However, there is a two-year grace period before this requirement becomes effective in FY99.

Change for Auditors

The new amendments to the Single Audit Act also require that auditors change the way they perform audits of federal programs. For example, when

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LEGAL

in Our Opinion

Q: *A taxpayer owns 20 acres of forest land. The land was classified under M.G.L. Ch.61 and thereby received favorable tax treatment. The 10-year forestry certificate expired on December 31, 1995. For fiscal year 1997 the parcel will be assessed at full value under Chapter 59. Will the parcel be subject to penalty tax if the forest land classification expires at the end of a 10-year certification without a renewal of certification?*

A: Yes. M.G.L. Ch.61 Sec.7 states that "When the owner of classified land withdraws such land or any part thereof from *classification* … he or she shall pay to the city or town a withdrawal penalty tax. …" Furthermore, the State Forester's regulations (304 C.M.R. 8.00) define classification under M.G.L. Ch.61 as "the tax status attaching by operation of law to all land qualifying *under this chapter*. …" In this instance, the statute requires a withdrawal penalty tax encompassing fiscal years 1987 to 1996 inclusive. Since the 10-year certification period was completed, the taxpayer will be able to offset the amount owed by any stumpage taxes paid for fiscal years 1987 to 1996. Interest is added to each year's repayment amount. The rate of interest varies. (For more information on rates, refer to DOR's Technical Information Release 96-1.)

Q: *Is there a legal requirement that betterments and special assessments be paid in full when a parcel is sold?*

A: No. M.G.L. Chs. 80 and 83, which pertain to assessments and betterments, do not require that the unpaid apportioned balance of a betterment or special assessment be paid when the subject parcel is conveyed. Generally, however, full payment is made since the buyer's mortgage company requires it. If unpaid at the time of closing, the betterment or assessment remains a lien on the property and the buyer continues to make payments in accordance with the apportionment schedule.

Q: *May a municipality establish a local Arts Council that sponsors events and receives revenue from paid admissions, grants and gifts?*

A: Yes. Pursuant to M.G.L. Ch.10 Sec.58, a city or town may form a local Arts Council to distribute arts lottery funds and other revenues. A local arts council may conduct various activities to promote the arts and derive revenue from ticket sales. All funds received which include ticket sales, grants and gifts must be deposited in the Arts Council Revolving Fund. Any interest earned belongs to the revolving fund. The local Arts Council makes expenditures from the fund for future activities, without further appropriation, except that the expenditure of any amounts held in the fund for more than 12 months also requires the approval of the selectmen, or mayor, city council, city or town manager.

A local Arts Council may establish a subcommittee of no less than two members and may delegate the authority to approve all payrolls and vendor payments.

Q: *Are Cherry Sheets and tax rate recap sheets open to public inspection?*

A: Yes. Under M.G.L. Ch.4 Sec.7 (26), all data, regardless of physical form or characteristics, made or received by any municipal officer or employee is public, unless it falls within one of the exemption provisions contained in paragraphs (a) to (m). These exemption provisions, however, are strictly construed. There is also a presumption that the record sought to be obtained is public, and the burden of proof is on the custodian of the record to show if some exemption applies. In this case, there is no basis for refusing to allow inspection of tax rate information and local aid distributions. Accordingly, local officials must disclose the tax recap and Cherry Sheets to any requester at reasonable times and without unreasonable delay, and provide copies upon payment of the fee prescribed in the Secretary of State's Fee Schedule (950 CMR 32.06).

Q: *Can a community place in a revolving fund any amounts received as reimbursement for medically necessary services provided to special needs students under the federal Medicaid program?*

A: No. M.G.L. Ch.44 Sec.72 provides that such receipts shall be considered unrestricted revenue of the city, town or regional school district. M.G.L. Ch.44 Sec.70 also specifically prohibits the use of Medicaid reimbursements even to pay the costs of recovering the reimbursement without further appropriation. Accordingly, such funds must be deposited into the general fund, and cannot be credited to a revolving fund for departmental programs under M.G.L. Ch.44 Sec.53E½, or any other provision of law.

Q: *A town board of selectmen is deliberating whether to place a Proposition 2½ debt exclusion on the ballot. There are five members and a two-thirds vote of the selectmen is required under M.G.L. Ch.59 Sec.21C(K). Does the "two-thirds" in the statute refer to the full board or merely to a quorum?*

A: The two-thirds vote refers to the full board. In the case at hand, four selectmen must approve this action. We rely on a 1946 Opinion of the Attorney General to The Massachusetts Aeronautics Commission. The Commission had inquired as to what constituted action by a majority of that board. The Attorney General ruled that "[a]lthough a majority of the commission constitutes a quorum which may transact neces-

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FOCUS on Municipal Finance

Lottery Revenues: A Source of Aid for Municipalities

Using a lottery to raise revenues is a concept that dates back to colonial America. The early settlers used a lottery to generate funds to support the revolutionary army. By the nineteenth century however, scandal and corruption led to the prohibition of lotteries. It was not until 1964 that New Hampshire legalized the first modern state lottery to fund state programs. Seven years later, Massachusetts passed legislation authorizing the creation of a state lottery. Since then, the number, types and revenues of lottery games have increased significantly. In this article, we explain how revenues from the state lottery provide funding for a variety of programs, while focusing primarily on the Cherry Sheet lottery receipt program. We also explain how the Cherry Sheet lottery formula calculates aid payments to cities and towns. In addition, we analyze the historical trends of these lottery distributions. Lastly, we briefly report on the state revenues generated from the various types of lottery sales in FY96.

The Commonwealth authorized the creation of a state lottery through the enactment of Ch.813 of the Acts of 1971. This act created a commission responsible for the administration of a lottery and a special fund for the revenues generated by lottery sales. This fund, aptly named the state lottery fund, disburses payments for prizes and distributions to the local aid fund. The local aid fund, supported by revenues generated from all the lottery games except Megabucks and Mass Millions, provides state assistance to cities and towns. The most well-known of these state aid programs is the Cherry Sheet lottery receipt program. The local aid fund however, contributes to the support of many other programs and agencies including the Board of Library Commissioners, district attorneys, the Emergency Finance Board, the State Ethics Commission and the Division of Local Services.

Cherry Sheet Lottery Aid

As previously mentioned, the lottery aid account, the second largest Cherry Sheet aid program, is funded from the net revenues from several lottery games. The aid each community receives is considered general purpose financial assistance. These aid payments are made quarterly, although the total amount of the annual distribution is stipulated in Section 3 of the state budget. Since no local action is needed to receive lottery funds, cities and towns automatically receive this aid.

The Cherry Sheet lottery receipt program is a formula driven aid program. The lottery formula is equalizing, so that municipalities with lower property values receive proportionately more aid than those with greater property values. The primary components of the calculation are population and Equalized Property Valuations (EQVs). The formula also contains a pro-ration factor that adjusts the formula according to the net lottery receipts available. Only the new lottery aid, that is the amount above the base amount distributed the previous year, is actually calculated through the formula on an annual basis.

Lottery Aid, FY94-FY97

Beginning in FY95, the governor and legislature began phasing out the "lottery cap" that had been in place since FY89. This cap effectively limited the amount of lottery revenues allocated to cities and towns through the Cherry Sheet. As a result of the gradual phasing out of this cap, lottery aid distributions have risen steadily since FY94. *Table 1* shows each community's lot-

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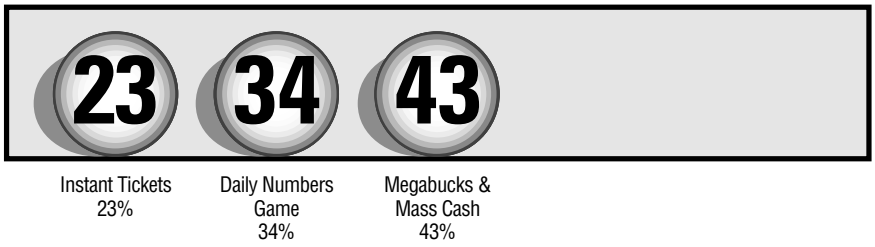
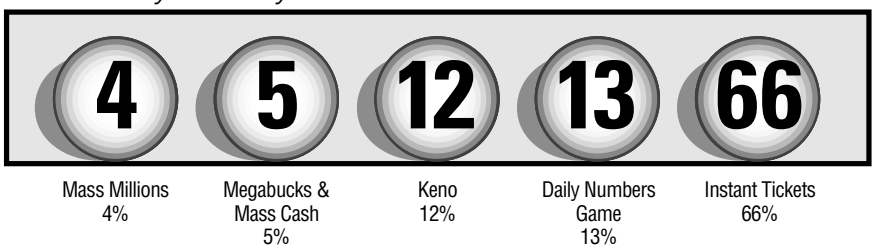
Figure 1

FY86 Lottery Sales by Game



FY96 Lottery Sales by Game



Note: Data is from the Lottery Commission.

Lottery Aid to Municipalities, FY94–FY97

Municipality	FY94 Lottery	FY95 Lottery	FY96 Lottery	FY97 Lottery	Pct Chg FY94-FY97
Abington	933,624	1,092,578	1,219,495	1,326,339	42.1%
Acton	604,239	730,955	824,635	902,764	49.4%
Acushnet	725,930	842,657	943,825	1,026,323	41.4%
Adams	1,027,029	1,168,480	1,286,148	1,379,809	34.3%
Agawam	1,697,549	1,999,031	2,238,802	2,434,181	43.4%
Alford	8,038	9,125	9,963	10,627	32.2%
Amesbury	934,509	1,083,233	1,207,012	1,317,718	41.0%
Amherst	3,453,217	4,129,838	4,650,071	5,091,299	47.4%
Andover	695,537	859,699	1,004,197	1,127,831	62.2%
Arlington	2,066,731	2,466,436	2,764,349	3,000,800	45.2%
Ashburnham	243,314	303,387	356,111	401,457	65.0%
Ashby	159,768	191,928	221,056	246,680	54.4%
Ashfield	67,485	82,031	92,682	101,920	51.0%
Ashland	360,290	456,645	539,260	610,476	69.4%
Athol	852,782	1,053,085	1,213,585	1,348,605	58.1%
Attleboro	2,343,622	2,791,129	3,176,630	3,495,561	49.2%
Auburn	733,416	873,239	983,877	1,074,622	46.5%
Avon	209,043	238,212	262,360	281,422	34.6%
Ayer	401,191	450,152	487,147	524,251	30.7%
Barnstable	670,573	862,449	1,017,441	1,148,320	71.2%
Barre	326,531	390,472	443,470	489,010	49.8%
Becket	35,440	40,811	45,656	49,918	40.9%
Bedford	317,167	387,091	445,342	491,093	54.8%
Belchertown	643,038	763,181	864,008	947,980	47.4%
Bellingham	967,037	1,110,872	1,215,631	1,303,276	34.8%
Belmont	838,039	993,262	1,112,572	1,209,515	44.3%
Berkley	201,238	242,750	280,614	319,621	58.8%
Berlin	111,770	131,082	145,556	157,627	41.0%
Bernardston	108,968	130,436	147,025	159,903	46.7%
Beverly	1,762,752	2,093,914	2,373,716	2,604,463	47.7%
Billerica	1,730,437	2,069,598	2,370,979	2,621,911	51.5%
Blackstone	560,201	666,664	754,062	829,218	48.0%
Blandford	53,242	63,170	70,961	77,514	45.6%
Bolton	72,919	90,649	104,683	117,582	61.3%
Boston	27,232,544	33,014,135	37,496,339	41,107,710	51.0%
Bourne	454,076	546,588	628,871	699,078	54.0%
Boxborough	94,128	113,114	130,372	147,080	56.3%
Boxford	166,417	200,009	228,553	254,586	53.0%
Boylston	158,680	185,355	207,587	225,813	42.3%
Braintree	1,501,952	1,743,989	1,956,642	2,128,732	41.7%
Brewster	112,688	149,439	180,420	207,960	84.5%
Bridgewater	1,233,762	1,496,774	1,720,603	1,919,557	55.6%
Brimfield	145,273	174,487	201,274	224,088	54.3%
Brockton	7,596,741	8,961,488	10,106,822	11,005,680	44.9%
Brookfield	201,908	245,006	280,210	309,578	53.3%
Brookline	1,818,725	2,188,163	2,454,467	2,668,147	46.7%
Buckland	118,534	141,277	158,949	174,798	47.5%
Burlington	620,663	772,159	890,606	985,920	58.8%
Cambridge	3,756,704	4,407,427	4,914,609	5,379,859	43.2%
Canton	602,533	717,994	814,185	898,115	49.1%
Carlisle	78,845	101,682	118,747	133,474	69.3%
Carver	496,322	634,921	746,300	841,494	69.5%
Charlemont	64,715	78,705	89,199	97,515	50.7%
Charlton	470,791	578,904	682,102	773,445	64.3%
Chatham	71,455	85,315	96,360	105,222	47.3%
Chelmsford	1,290,155	1,568,787	1,797,906	1,991,357	54.4%
Chelsea	2,311,923	2,765,171	3,115,495	3,379,435	46.2%
Cheshire	233,160	274,232	308,066	336,822	44.5%
Chester	68,608	82,676	93,359	102,467	49.4%
Chesterfield	53,043	63,223	70,569	76,176	43.6%
Chicopee	4,333,839	5,135,416	5,770,877	6,275,046	44.8%
Chilmark	1,398	1,745	2,025	2,288	63.7%
Clarksburg	176,529	206,616	228,429	246,041	39.4%
Clinton	967,530	1,143,231	1,286,092	1,400,472	44.7%
Cohasset	199,483	233,512	262,575	287,310	44.0%
Colrain	88,511	109,231	123,898	136,156	53.8%
Concord	419,285	508,110	576,758	633,215	51.0%
Conway	70,135	84,765	94,978	104,422	48.9%
Cummington	30,551	36,659	41,758	46,032	50.7%
Dalton	422,333	509,691	577,855	633,517	50.0%
Danvers	908,100	1,078,607	1,207,116	1,311,316	44.4%
Dartmouth	1,117,033	1,323,877	1,493,690	1,634,932	46.4%
Dedham	1,023,635	1,207,950	1,350,009	1,465,064	43.1%
Deerfield	201,469	243,429	280,692	311,584	54.7%
Dennis	202,603	247,545	285,383	317,040	56.5%
Dighton	309,770	364,538	409,064	444,649	43.5%
Douglas	231,791	289,986	342,018	390,478	68.5%
Dover	90,366	108,008	122,529	135,563	50.0%
Dracut	1,324,116	1,611,338	1,869,585	2,090,228	57.9%
Dudley	639,807	758,544	860,615	941,262	47.1%
Dunstable	69,190	85,050	99,405	112,010	61.9%
Duxbury	374,890	464,658	534,288	593,546	58.3%
E Bridgewater	625,928	739,822	838,211	922,365	47.4%
E Brookfield	136,756	159,461	175,633	189,140	38.3%
E Longmeadow	596,239	701,053	788,355	863,784	44.9%
Eastham	50,111	63,597	74,025	82,815	65.3%
Easthampton	1,260,162	1,478,990	1,641,529	1,772,560	40.7%
Easton	865,313	1,066,715	1,225,692	1,361,693	57.4%
Edgartown	14,520	18,998	22,418	25,544	75.9%
Egremont	33,339	38,581	42,929	46,175	38.5%
Erving	20,744	27,055	32,040	36,153	74.3%
Essex	100,329	119,768	136,203	150,967	50.5%
Everett	1,395,370	1,727,025	1,975,517	2,167,566	55.3%
Fairhaven	942,856	1,098,443	1,230,353	1,337,878	41.9%
Fall River	11,396,680	13,088,290	14,407,643	15,449,436	35.6%
Falmouth	518,991	631,442	727,522	809,883	56.0%
Fitchburg	3,604,785	4,273,891	4,779,775	5,149,677	42.9%
Florida	15,765	21,269	26,146	30,226	91.7%
Foxborough	730,425	856,452	951,432	1,033,068	41.4%
Framingham	2,523,084	3,139,435	3,614,979	4,001,925	58.6%
Franklin	1,050,220	1,246,164	1,412,146	1,565,109	49.0%
Freetown	394,376	478,561	544,148	597,584	51.5%
Gardner	1,601,618	1,901,992	2,170,461	2,395,616	49.6%
Gay Head	1,219	1,323	1,413	1,507	23.6%
Georgetown	293,993	353,979	400,477	442,602	50.5%
Gill	81,767	102,034	116,699	129,020	57.8%
Gloucester	1,132,176	1,331,095	1,512,961	1,662,485	46.8%
Goshen	27,182	33,103	38,120	42,292	55.6%
Gosnold	167	226	271	306	83.2%
Grafton	629,153	769,431	882,906	978,790	55.6%
Granby	389,440	454,006	505,336	548,539	40.9%
Granville	54,133	66,605	77,731	87,245	61.2%
Great Barrington	375,084	440,704	488,874	528,271	40.8%
Greenfield	1,421,799	1,653,207	1,843,831	1,998,424	40.6%
Groton	277,779	341,047	395,890	443,786	59.8%
Groveland	307,693	363,476	407,385	444,692	44.5%
Hadley	136,031	162,912	185,914	205,027	50.7%
Halifax	394,222	469,244	534,232	591,063	49.9%
Hamilton	278,476	330,079	373,465	409,976	47.2%
Hampden	289,703	333,049	370,163	400,646	38.3%
Hancock	22,134	24,963	27,344	29,243	32.1%
Hanover	482,846	567,530	639,800	700,407	45.1%
Hanson	591,758	684,960	764,152	832,320	40.7%
Hardwick	190,760	216,644	238,796	256,625	34.5%
Harvard	923,750	1,085,978	1,221,480	1,316,543	42.5%
Harwich	157,933	194,132	224,054	250,702	58.7%
Hatfield	154,126	182,200	202,962	219,333	42.3%
Haverhill	3,159,061	3,768,543	4,316,913	4,772,364	51.1%
Hawley	11,661	14,269	16,090	17,371	49.0%
Heath	17,216	22,925	29,041	34,123	98.2%
Hingham	660,086	775,158	867,783	944,239	43.0%
Hinsdale	82,716	102,169	117,705	130,723	58.0%
Holbrook	706,575	830,420	930,924	1,013,092	43.4%
Holden	694,425	842,074	955,702	1,051,963	51.5%
Holland	65,270	81,386	93,856	105,283	61.3%
Holliston	547,573	658,002	743,683	815,333	48.9%
Holyoke	4,402,011	5,101,610	5,667,504	6,097,316	38.5%
Hopedale	217,621	287,242	340,163	383,243	76.1%
Hopkinton	244,057	301,359	350,199	394,842	61.8%
Hubbardston	94,401	123,572	150,660	175,445	85.9%
Hudson	953,031	1,130,794	1,269,435	1,382,516	45.1%
Hull	469,472	567,993	646,718	712,156	51.7%
Huntington	127,399	152,835	175,746	195,132	53.2%
Ipswich	467,093	558,213	627,681	686,918	47.1%
Kingston	364,692	443,704	506,295	563,870	54.6%
Lakeville	322,638	378,399	428,953	475,134	47.3%
Lancaster	402,564	475,053	538,311	588,728	46.2%
Lanesborough	210,341	232,684	250,716	265,680	26.3%
Lawrence	6,275,273	7,609,969	9,008,058	10,084,731	60.7%
Lee	362,298	411,598	448,401	479,419	32.3%
Leicester	786,050	918,591	1,028,237	1,115,610	41.9%
Lenox	346,987	377,193	402,186	422,966	21.9%
Leominster	2,221,232	2,666,768	3,039,220	3,341,374	50.4%
Leverett	68,159	84,422	96,967	107,396	57.6%
Lexington	724,197	879,328	992,333	1,084,537	49.8%
Leyden	23,249	29,594	34,752	39,635	70.5%
Lincoln	208,631	251,978	287,211	318,228	52.5%
Littleton	242,172	289,979	328,555	362,081	49.5%
Longmeadow	647,080	757,127	847,554	920,843	42.3%
Lowell	7,189,329	8,774,764	10,154,212	11,205,618	55.9%
Ludlow	1,307,554	1,514,579	1,693,353	1,843,708	41.0%
Lunenburg	469,263	553,980	627,727	689,876	47.0%
Lynn	5,597,804	6,763,072	7,795,692	8,631,303	54.2%
Lynnfield	336,948	411,659	465,975	509,751	51.3%
Malden	3,737,694	4,457,903	5,035,611	5,474,713	46.5%
Manchester	121,218	142,628	159,238	172,811	42.6%
Mansfield	533,141	661,917	776,345	882,570	65.5%
Marblehead	490,931	609,214	698,200	772,188	57.3%
Marion	86,020	103,677	118,980	132,607	54.2%
Marlborough	1,421,943	1,666,952	1,889,205	2,076,801	46.1%
Marshfield	949,218	1,113,350	1,253,495	1,374,267	44.8%
Mashpee	49,317	74,462	98,899	122,851	149.1%
Mattapoisett	203,982	233,387	258,916	279,751	37.1%
Maynard	482,266	589,899	672,560	739,179	53.3%
Medfield	397,730	479,221	537,682	590,010	48.3%
Medford	3,446,751	4,063,599	4,535,294	4,907,907	42.4%
Medway	396,270	484,064	558,235	626,033	58.0%
Melrose	1,510,515	1,772,735	1,986,033	2,152,756	42.5%
Mendon	139,418	174,323	203,870	230,410	65.3%
Merrimac	321,055	388,626	439,482	484,892	51.0%

Municipality	FY94 Lottery	FY95 Lottery	FY96 Lottery	FY97 Lottery	Pct Chg FY94-FY97
Methuen	2,133,842	2,554,877	2,925,361	3,229,815	51.4%
Middleborough	1,062,108	1,254,169	1,419,984	1,559,849	46.9%
Middlefield	20,118	23,110	25,474	27,640	37.4%
Middleton	151,923	180,554	203,423	223,159	46.9%
Milford	1,436,859	1,698,227	1,904,437	2,071,390	44.2%
Millbury	808,218	947,428	1,061,833	1,156,704	43.1%
Millis	324,292	394,652	455,651	505,704	55.9%
Millville	143,702	170,434	195,081	216,825	50.9%
Milton	1,063,296	1,265,444	1,433,422	1,570,778	47.7%
Monroe	4,768	5,391	5,765	5,935	24.5%
Monson	602,396	696,199	772,574	837,070	39.0%
Montague	554,082	648,346	725,709	789,161	42.4%
Monterey	21,623	23,720	25,474	26,927	24.5%
Montgomery	36,113	43,324	48,591	53,170	47.2%
Mt Washington	1,029	1,373	1,610	1,876	82.3%
Nahant	138,362	163,177	183,701	200,370	44.8%
Nantucket	29,350	35,790	41,224	46,166	57.3%
Natick	1,054,820	1,278,351	1,451,623	1,595,699	51.3%
Needham	727,552	869,278	983,292	1,078,170	48.2%
New Ashford	2,693	3,690	4,518	5,103	89.5%
New Bedford	11,304,438	13,130,151	14,494,898	15,563,944	37.7%
New Braintree	40,978	50,243	58,114	65,115	58.9%
New Marlborough	26,263	30,534	33,419	35,798	36.3%
New Salem	45,190	51,027	56,237	60,452	33.8%
Newbury	179,058	222,029	256,065	286,773	60.2%
Newburyport	737,331	863,840	969,495	1,058,390	43.5%
Newton	2,371,645	2,818,493	3,174,557	3,483,496	46.9%
Norfolk	325,518	421,243	495,776	564,366	73.4%
N Adams	2,177,540	2,535,918	2,794,104	2,989,218	37.3%
N Andover	729,919	908,097	1,051,687	1,175,014	61.0%
N Attleboro	1,228,072	1,471,089	1,682,313	1,863,485	51.7%
N Brookfield	354,730	423,537	474,806	516,767	45.7%
N Reading	481,121	569,382	641,611	704,396	46.4%
Northampton	1,949,265	2,263,412	2,509,066	2,706,761	38.9%
Northborough	439,543	535,871	610,275	674,606	53.5%
Northbridge	1,039,924	1,239,877	1,385,398	1,505,558	44.8%
Northfield	101,285	130,054	154,558	175,864	73.6%
Norton	931,185	1,096,074	1,229,782	1,346,100	44.6%
Norwell	316,660	372,639	417,098	453,724	43.3%
Norwood	1,191,109	1,398,467	1,576,058	1,719,870	44.4%
Oak Bluffs	25,003	31,683	36,916	41,573	66.3%
Oakham	55,875	71,517	84,057	94,914	69.9%
Orange	742,661	855,909	957,365	1,040,583	40.1%
Orleans	74,084	88,845	101,591	112,048	51.2%
Otis	12,655	15,165	17,265	19,012	50.2%
Oxford	957,406	1,109,225	1,250,952	1,369,756	43.1%
Palmer	876,260	1,023,344	1,140,066	1,234,089	40.8%
Paxton	189,272	228,701	259,875	285,528	50.9%
Peabody	2,238,929	2,689,237	3,029,609	3,312,545	48.0%
Pelham	59,315	71,610	82,445	91,157	53.7%
Pembroke	729,962	861,013	972,568	1,070,219	46.6%
Pepperell	495,045	602,934	697,195	778,344	57.2%
Peru	41,797	50,425	58,447	65,494	56.7%
Petersham	44,760	53,874	60,309	65,738	46.9%
Phillipston	44,364	58,370	69,694	80,590	81.7%
Pittsfield	3,765,842	4,331,561	4,808,759	5,188,757	37.8%
Plainfield	15,847	19,340	22,165	24,478	54.5%
Plainville	295,602	353,500	405,007	451,556	52.8%
Plymouth	1,195,631	1,542,227	1,839,136	2,094,937	75.2%
Plympton	92,569	109,371	126,127	141,234	52.6%
Princeton	120,687	144,044	165,623	184,563	52.9%
Provincetown	66,417	79,196	88,776	96,604	45.5%
Quincy	4,570,533	5,421,109	6,112,157	6,671,689	46.0%
Randolph	1,507,589	1,827,638	2,097,768	2,315,133	53.6%
Raynham	537,312	618,260	689,251	751,061	39.8%
Reading	943,649	1,148,090	1,296,099	1,417,822	50.2%
Rehoboth	406,259	483,444	542,329	593,062	46.0%
Revere	2,476,178	2,956,710	3,394,727	3,741,060	51.1%
Richmond	54,533	65,198	72,523	78,356	43.7%
Rochester	179,343	208,830	234,181	257,473	43.6%
Rockland	1,122,815	1,296,089	1,441,191	1,562,882	39.2%
Rockport	167,283	211,834	247,723	278,545	66.5%
Rowe	960	1,445	1,880	2,238	133.1%
Rowley	173,084	208,989	241,630	271,608	56.9%
Royalston	55,922	66,122	76,026	83,837	49.9%
Russell	90,160	111,728	127,179	139,773	55.0%
Rutland	348,941	406,695	455,916	500,130	43.3%
Salem	1,635,310	1,994,046	2,281,170	2,513,885	53.7%
Salisbury	278,537	324,987	365,126	398,173	43.0%
Sandisfield	15,126	17,274	19,066	20,659	36.6%
Sandwich	183,844	273,818	357,014	432,628	135.3%
Saugus	946,943	1,154,440	1,322,241	1,461,824	54.4%
Savoy	47,344	54,453	60,527	66,324	40.1%
Scituate	695,739	804,699	893,977	969,244	39.3%
Seekonk	580,475	675,679	748,018	807,950	39.2%
Sharon	581,683	708,694	802,644	884,639	52.1%
Sheffield	98,729	116,449	130,636	143,185	45.0%
Shelburne	130,057	150,789	165,600	176,857	36.0%
Sherborn	101,080	118,186	131,976	143,459	41.9%
Shirley	395,123	482,430	553,630	629,502	59.3%
Shrewsbury	1,024,322	1,236,166	1,395,070	1,535,165	49.9%
Shutesbury	48,203	62,083	73,499	83,372	73.0%
Somerset	594,944	721,522	817,182	894,737	50.4%
Somerville	5,718,638	6,798,245	7,589,992	8,183,656	43.1%
South Hadley	1,139,762	1,352,157	1,509,859	1,640,295	43.9%
Southampton	253,115	296,009	332,948	365,180	44.3%
Southborough	187,413	224,531	253,151	278,497	48.6%
Southbridge	1,500,986	1,779,084	1,988,476	2,149,248	43.2%
Southwick	523,634	611,398	678,981	736,155	40.6%
Spencer	940,801	1,110,125	1,238,602	1,340,201	42.5%
Springfield	13,482,158	16,126,402	18,286,904	19,971,276	48.1%
Sterling	277,482	337,219	383,879	424,190	52.9%
Stockbridge	52,537	61,696	68,356	73,575	40.0%
Stoneham	933,153	1,133,820	1,292,838	1,419,407	52.1%
Stoughton	1,494,962	1,757,807	1,986,508	2,173,270	45.4%
Stow	168,354	208,092	238,643	264,391	57.0%
Sturbridge	264,277	330,759	387,900	434,154	64.3%
Sudbury	418,367	500,235	560,595	611,899	46.3%
Sunderland	192,803	229,549	260,403	287,951	49.3%
Sutton	336,754	390,403	443,595	490,812	45.7%
Swampscott	425,605	515,144	589,761	650,385	52.8%
Swansea	945,344	1,087,781	1,204,351	1,300,629	37.6%
Taunton	4,298,774	4,980,059	5,520,631	5,971,541	38.9%
Templeton	539,250	632,875	712,639	775,555	43.8%
Tewksbury	1,278,271	1,530,611	1,735,461	1,908,145	49.3%
Tisbury	46,469	54,714	60,918	66,257	42.6%
Tolland	2,218	2,702	3,079	3,396	53.1%
Topsfield	181,570	222,147	251,627	276,522	52.3%
Townsend	442,814	537,846	623,989	696,116	57.2%
Truro	13,112	15,240	17,089	18,746	43.0%
Tyngsborough	291,568	373,699	446,797	510,903	75.2%
Tyringham	6,914	7,879	8,575	9,179	32.8%
Upton	233,094	271,620	302,697	331,019	42.0%
Uxbridge	589,764	717,389	817,657	908,096	54.0%
Wakefield	1,072,165	1,276,156	1,445,016	1,582,952	47.6%
Wales	93,706	110,919	127,422	141,960	51.5%
Walpole	818,861	969,796	1,092,108	1,201,678	46.7%
Waltham	2,485,099	2,937,602	3,317,948	3,607,212	45.2%
Ware	743,067	872,478	978,687	1,063,391	43.1%
Wareham	969,617	1,114,519	1,253,771	1,371,087	41.4%
Warren	305,218	365,034	412,331	451,160	47.8%
Warwick	29,976	37,024	42,769	46,347	54.6%
Washington	30,735	36,373	40,661	44,459	44.7%
Watertown	1,378,103	1,664,284	1,872,357	2,032,794	47.5%
Wayland	327,396	389,721	438,580	478,803	46.2%
Webster	1,003,299	1,198,928	1,361,266	1,492,340	48.7%
Wellesley	642,823	764,241	858,916	937,737	45.9%
Wellfleet	25,975	31,209	35,429	39,099	50.5%
Wendell	47,628	58,307	66,942	74,063	55.5%
Wenham	125,360	159,313	183,620	204,379	63.0%
W Boylston	297,479	340,817	386,753	424,733	42.8%
W Bridgewater	323,069	363,477	399,843	430,362	33.2%
W Brookfield	188,861	226,630	256,154	280,819	48.7%
W Newbury	122,884	149,953	169,667	188,271	53.2%
W Springfield	1,473,874	1,719,663	1,927,252	2,090,664	41.8%
W Stockbridge	51,476	59,467	65,911	71,622	39.1%
W Tisbury	9,010	11,992	15,057	17,287	91.9%
Westborough	436,754	514,325	584,687	646,335	48.0%
Westfield	2,655,987	3,168,138	3,549,045	3,857,941	45.3%
Westford	550,929	669,214	769,586	858,774	55.9%
Westhampton	54,809	65,990	75,959	84,410	54.0%
Westminster	227,867	280,331	324,193	360,865	58.4%
Weston	199,773	231,877	259,423	281,056	40.7%
Westport	667,687	758,092	834,621	897,443	34.4%
Westwood	327,259	392,080	444,833	489,713	49.6%
Weymouth	3,393,288	4,016,941	4,494,564	4,883,947	43.9%
Whately	59,547	68,974	76,941	82,781	39.0%
Whitman	988,918	1,149,412	1,293,245	1,411,101	42.7%
Wilbraham	559,956	668,410	748,040	813,724	45.3%
Williamsburg	142,815	169,754	189,452	205,812	44.1%
Williamstown	490,308	564,862	622,379	667,277	36.1%
Wilmington	578,543	696,367	794,336	878,326	51.8%
Winchendon	638,906	764,223	872,892	964,519	51.0%
Winchester	607,257	719,854	809,635	883,291	45.5%
Windsor	22,160	27,745	32,941	37,669	70.0%
Winthrop	1,211,633	1,420,797	1,587,176	1,721,976	42.1%
Woburn	1,431,980	1,691,980	1,901,655	2,072,138	44.7%
Worcester	12,815,549	15,195,327	17,217,415	18,900,647	47.5%
Worthington	43,738	52,346	60,540	66,963	53.1%
Wrentham	420,760	511,539	580,384	641,629	52.5%
Yarmouth	430,102	538,124	625,589	699,383	62.6%
State Totals	**329,000,000**	**391,600,000**	**442,600,000**	**484,180,000**	
Difference		**62,600,000**	**51,000,000**	**41,580,000**	
Percent Increase		**19.0%**	**13.0%**	**9.4%**	

Table 1

Lottery Revenues: A Source of Aid for Municipalities
➡ *continued from page three*

tery aid allocation for FY94, FY95, FY96, FY97 and the percent increase for FY94–FY97.

In FY94, lottery aid was funded at the FY93 level of $329 million. The following year lottery distributions rose to $391.6 million, an increase of $62.6 million. This increase in FY95 is attributable to two factors: a $22.6 million increase in lottery aid and the reclassification of $40 million in municipal stabilization aid as lottery aid. Municipal stabilization aid was a one-time distribution from the local aid fund; it used the lottery formula to calculate the aid payments. The final FY95 state budget, Ch.60 of the Acts of 1994, authorized the reclassification of the previous year's municipal stabilization distribution as lottery aid.

Lottery aid received another dramatic increase the next year. The state budget authorized an additional $51 million in lottery aid for FY96. The following year another $41.6 million was added, raising the FY97 lottery aid allocation to $484.2 million. The total increase between FY94 and FY97 was $155.2 million, or a 47.2 percent increase over the FY94 distribution of $329 million.

Lottery Sales

Because the revenues from lottery sales fund the Cherry Sheet lottery distributions, we are also providing data from the Lottery Commission on such sales. *Figure 1* shows the breakdown of sales by game for FY86 and FY96. As these figures indicate, in FY86 Megabucks and Mass Cash accounted for the largest percent (43 percent) of sales. The instant tickets and the Daily Numbers games only accounted for 23 percent and 34 percent respectively. In FY96, the data on lottery sales is remarkably different. Clearly, new games were added and instant games experienced a dramatic gain in market share so that in FY96 they accounted for two-thirds of all lottery sales. The Lottery Commission attributes this significant rise in instant game sales to a change in marketing strategy and an increase in both the number and types of instant games available each year. ■

Written by Kay M. Upham. Data contributions by Lisa Juszkiewicz and the Lottery Commission.

Amended Federal Single Audit Act of 1996
➡ *continued from page one*

an auditor samples programs for an audit, the "50 percent rule," will apply. This rule requires auditors to sample at least half of the programs from which the recipient has expended funds. If the auditor does not sample 50 percent, then that auditor must perform additional tests until 50 percent has been sampled. In the past the act required auditors to perform compliance tests only of major programs. (Major programs were those that expended either $300,000 or three percent of total federal financial assistance.) The revised act gives auditors certain flexibility in performance compliance testing.

The Single Audit Act Amendments of 1996 may reduce audit costs for some recipients. Additionally, the changes are expected to relieve governments and non-profit entities of previously burdensome audit regulations while maintaining the integrity of the federal grant process. ■

Legal
➡ *continued from page two*

sary business, a vote by a majority of such quorum, when it is less than a majority of the entire commission, does not constitute action by the commission as such." In accordance with this ruling, two-thirds of the entire board of selectmen would be required to place the debt exclusion before the voters.

Q: *Is a taxpayer eligible for abatement of motor vehicle excise for 1996 if he/she moved to New York State in June 1995?*
A: No. Merely residing in another state does not entitle the taxpayer to an abatement. Even if an abatement application had been timely filed, state statute (M.G.L. Ch.60A Sec.1) requires the abatement applicant to demonstrate transfer of a person and the vehicle to another state with proof of registration in that state and cancellation of registration in Massachusetts. In the absence of such evidence, the assessors could not abate the 1996 excise.

Q: *When should the collector certify subsequent taxes to the tax title account?*
A: M.G.L. Ch.60 Sec.61 states that taxes may be certified no later than September first of the year following their assessment. In our view, the collector should not certify any amounts until after the due date of the final tax installment for that year. Ordinarily, then, the collector should not certify any subsequent years' taxes until after May first. The Department has interpreted the phrase "taxes assessed subsequently" to refer to an actual assessment and commitment which fixes a fiscal year tax liability. If the collector in a quarterly community were to certify the taxes at a sooner point in time, (for example, upon commitment of the actual tax in December), such action would deprive the taxpayer of the right to pay the February and May tax installments without incurring interest under another statutory provision. ■

Compiled by James Crowley

DLS UPDATE

Sewer Rate Relief — FY97

In each of the past four years, Massachusetts ratepayers have benefited from reductions in rate increases for water pollution control projects. In 1994, the governor and legislature established the Sewer Rate Relief Fund (M.G.L. Ch. 29, Sec. 2Z) to assist ratepayers. Escalating sewer rates, partly the result of the Boston Harbor cleanup, served as the impetus for the development of this fund. The fourth distribution occurred in November 1996 and was a record high of $46.390 million, more than double the 1994 allocation of $21.450 million (see *Figure 1*). The FY97 awards went to 43 Massachusetts Water Resource Authority (MWRA) communities, six communities in the South Essex Sewerage District, and 67 cities, towns and commissions statewide. The Division of Local Services (DLS) and the Department of Environmental Protection (DEP) administer the program and determine project eligibility. To receive aid an entity must have qualified indebtedness for a water pollution control project. Qualified debt is defined as an obligation issued after January 1, 1990, with a maturity greater than five years. Recipients must certify that the aid received from this fund has or will be used to reduce sewer rates. Projects that receive financing through the Massachusetts Water Pollution Abatement Trust (MWPAT) and receive financing subsidies are not eligible unless their MWPAT financing was in excess of $50 million on June 30, 1995. Additionally, projects that receive state construction grants are not eligible.

The FY97 distribution includes 12 communities receiving rate relief for the first time. These new communities are spread across the state include Ashburnham, Ashfield, Dracut, Dudley, Great Barrington, Holyoke, Leicester, Nahant, North Andover, North Bookfield, Oxford and Quincy. (See *Figure 2*.)

An example of the manner in which these programs are assisting ratepayers can be seen in the city of New Bedford and the MWRA service area. If no financial assistance were available, DLS estimates that an average New Bedford homeowner would receive a sewer bill of $644 in FY97. As a result of the Sewer Rate Relief Fund and a significant subsidy from the MWPAT, that ratepayer's bill will drop to $379, a $265 saving for a typical single-family homeowner. In the cities and towns served by the MWRA, rate increases were projected at 7.7 percent but were reduced to a 4.4 percent increase due to distributions from the fund.

Constructing sewage treatment plants, while costly, is an investment in our natural resources. The number of communities implementing water pollution control projects has increased as has the state's commitment to helping ratepayers.

For more information about the Sewer Rate Relief Fund please call Jim Johnson at (617) 626-2381. ■

Figure 1

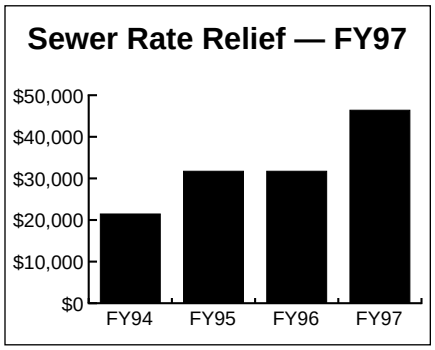
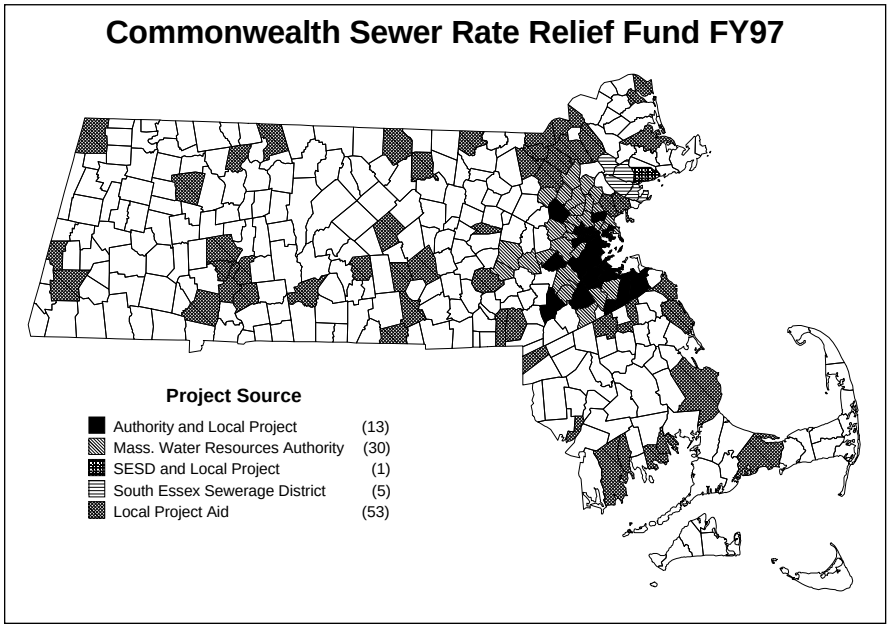


Figure 2



Municipal Fiscal Calendar

February 1
Taxpayer: *Deadline for Payment of 3rd Quarterly Tax Bill Without Interest*
If mailed before January 1.

February 15
Treasurer: *2nd Quarter Reconciliation of Cash*
Due 45 days after end of quarter.

February 28
Finance Committee: *Continue Budget Review and Develop Recommendations*
This date will vary depending on dates of town meeting.

Employment Opportunity

Data Bank/Local Aid Director
The Department's Division of Local Services currently is seeking a director to manage the division's municipal finance database and to oversee the distribution of local aid to cities, towns and regional school districts. This position requires strong database management skills and the ability to maintain data integrity on both mainframe and PC-based systems and the World Wide Web. Applicants must have strong analytical and writing skills and be able to supervise six to eight people. A minimum of five years experience in database management is required and an advanced degree is preferred. Send cover letter and resume to Rick Kingsley, Division of Local Services, PO Box 9655, Boston, MA 02114-9655, or fax to (617) 626-2330.

Data Bank Highlight

Trends in State Aid

For more information about Cherry Sheet aid distributions, individuals can request a "State Aid Analysis" report from the data bank. This report identifies five years of Cherry Sheet aid payments by program for each of the 351 communities. Aggregate data and previous years' data are also available.

To obtain Municipal Data Bank information contact: John Sanguinet at (617) 626-2355 for printed reports and data files; Burt Lewis at (617) 626-2358 for the On-Line Access System; or use the World Wide Web address below.

City & Town

City & Town is published 11 times a year by the Massachusetts Department of Revenue's Division of Local Services (DLS) and is designed to address matters of interest to local officials. DLS offers numerous publications on municipal law and finance, available by calling (617) 626-2300, or through the DLS World Wide Web site at **http://www.magnet.state.ma.us/dls** or by writing to PO Box 9655, Boston, MA 02114-9655.

Marilyn H. Browne, Editor

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CITY & TOWN

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