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City and Town

A Publication of the Department of Revenue's Division of Local Services



Volume 15, No. 2 February 2002

Implementing GASB 34: A Small Town's Perspective

by Marilyn Mathieu, Chief Financial Officer, Town of Bellingham

In June 1999, the Governmental Accounting Standards Board¹ (GASB) issued Statement No. 34, known more commonly as GASB 34. Though the intent of this statement was to make state and local government annual financial reports easier to understand and provide more useful information, municipal finance officers statewide experienced feelings of uncertainty as they began to realize that the primary responsibility for implementing GASB 34 would fall directly on their shoulders.

However, in every community, a team effort by all municipal departments is necessary in order to successfully implement GASB 34. For example, a major impact of GASB 34 relates to accounting for fixed assets and infrastructure.² GASB 34 also *requires* depreciation to be recorded on the general fixed assets and infrastructure (unless the Modified Approach is used). The task of providing data on fixed assets and infrastructure inevitably involves the efforts and cooperation of all municipal departments.

Though Bellingham has until FY03 to conform with GASB 34 standards, the town's financial offices began devising an ambitious implementation plan in July 2000 with the assistance of its audit firm and a consultant. As part of this plan, target dates for implementing each task were established. This plan was divided into two phases: the first phase relates to inventorying and depreciating fixed assets, while the second relates to infrastructure assets. Although the initial target date for full implementation of Phase 1 was September 2000, it was subsequently revised to February 2001, as it became

more apparent that it would be too difficult to meet that deadline.

The following is a list of Bellingham's GASB 34 implementation tasks for Phase 1:

- Close out FY00.
- Prepare financial statements for FY00 audit.
- Review inventory submitted by departments. (The town charter requires that all departments submit a complete inventory yearly on January 1. This proved very helpful. We also pursued our town clerk's records.)
- Establish a threshold for reporting fixed assets.
- Establish useful life for assets.
- Establish salvage value.
- Review the general ledger/account structure.
- Review the general ledger reporting structure.
- Purchase an inventory/fixed asset system that coordinates with the accounts payable/purchasing system.
- Begin inputting all inventory/fixed asset records.
- Determine whether historical costs for town property would be utilized due to the availability of historical documents.
- Compile a crosswalk to facilitate the auditing transition from the UMAS to the GASB 34 reporting format.

After reviewing records of all capital purchases over the past three years, it was determined that the cost for most

significant capital assets, such as police cruisers and DPW trucks, etc., was at least \$15,000. Therefore, \$15,000 was chosen as Bellingham's threshold for inventorying and depreciating fixed assets. The financial officers in Bellingham recommend that other communities conduct a similar analysis. The Department of Revenue's "Guide for Implementation of Governmental Accounting Standards Board Statement # 34" discusses guidelines for adopting appropriate thresholds.

Bellingham found that no changes were needed to the chart of accounts for accounting purposes and determined the changes needed to produce the new statements from the current ledger. It was also determined that the inventory/fixed asset system would inventory all assets and fixed assets for depreciation purposes.

Bellingham is now planning for Phase II: Infrastructure Implementation. The DPW director is assisting with this task. Planning a strategy with all department heads has allowed the financial officers to stress the importance of their input.

[continued on page seven](#)

Inside This Issue

[From the Deputy Commissioner](#) 2

Legal

[What is Manufacturing?](#) 2

Focus

[Fixed Costs](#) 3

[CPA Meeting](#) 6

DLS Update

[LeBovidge Appointed Commissioner](#) 7

[UST Grant Program Notice](#) 7

[New Regional School District Legislation](#) 7

[DLS Profile](#) 8



From the Deputy Commissioner

Preparing revenue and expenditure estimates is an important part of the budget process.

There is no "tried and true" formula for projecting revenues. However, the following considerations are useful.

- **Concentrate on preparing accurate estimates for sources that generate the most revenue, such as the property tax.** Usually, it does not pay to spend a great deal of time on minor revenue sources.
- **Use historical data to establish trends in revenue collection.** This information provides actual collections during previous fiscal years and is the basis for how trends in revenue collections are determined.
- **Use conservative estimates.** It is better to underestimate rather than overestimate revenue projections. Once revenues are estimated and appropriated for expenditure, it is extremely difficult to go back to town meeting to make cuts.
- **Use good judgment.** Revenue estimation is more an art than a science. Often, financial officials must rely on their best judgment in estimating realistic revenue figures.

The assumptions upon which revenue projections are made change with time. Therefore, it is necessary to periodically update completed forecasts with current information in order to keep them useful. This applies to expenditure forecasts as well.

Joseph J. Chessey, Jr.
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Legal

in Our Opinion

What is Manufacturing?

by James Crowley

From time to time, Massachusetts courts are asked to determine whether a particular corporation engages in manufacturing. A manufacturing corporation is eligible for an investment tax credit and certain exemptions from local property taxes. The latest decision is *Noreast Fresh, Inc. v. Commissioner of Revenue*.¹ Noreast Fresh, Inc. (Noreast) filed an application with the Commissioner of Revenue to be classified as a manufacturing corporation as of January 1, 1994, pursuant to state statute and state regulation.² The Commissioner denied the application, and the taxpayer appealed to the Appellate Tax Board (ATB). After the ATB upheld the Commissioner's determination, the decision was appealed to the Appeals Court. At issue was whether the taxpayer's production of packaged salads and vegetables constituted manufacturing, making its machinery exempt from local taxation for FY95.

Noreast operated a plant to produce prepackaged vegetable products for retail supermarkets. Lawyers for Noreast argued that the taxpayer was a manufacturing corporation and its manufacturing activities were substantial in relation to its total work performance. The Commissioner, however, contended that the taxpayer's activities did not change or transform the raw ingredients sufficiently to meet the statutory manufacturing requirement.

Massachusetts law does not provide a technical definition of manufacturing. In prior decisions, the courts have stated the words "engaged in manufacturing" should be given a flexible meaning. In *Boston and Maine Railroad v. Town of Billerica*, the Supreme Judicial Court (SJC) provided an often quoted definition

of manufacturing as "change wrought through the application of forces directed by the human mind, which results in the transformation of some pre-existing substance or element into something different, with a new name, nature or use."³ Utilizing this definition, courts in later cases analyzed the activities of various taxpayers to determine classification as a business or manufacturing corporation.

In the case at hand, the Appeals Court recognized that prior decisions were conflicting. There were many earlier food product decisions that favored the taxpayer. Found to be manufacturing corporations were businesses engaged in: roasting and grinding coffee beans; producing soft drinks; making fruit syrups and shredded fruit peel products; producing sausages, bacon and ham from livestock; and making ice cream and cheese from milk. Other more recent food product decisions did not favor Noreast. For example, the SJC had ruled that a corporation that owned a chain of restaurants was not engaged in manufacturing when it defrosted frozen steaks at a uniform rate and delivered cooked steaks to customers. *York Steak House Systems, Inc. v. Commissioner of Revenue*.⁴

Upon reviewing these prior decisions, the Appeals Court noted that the (SJC) had once commented that the canning of corn and peas constitutes manufacturing.⁵ According to the Appeals Court, there were almost identical procedures in canning corn and bagging salad.

In addition, the Appeals Court cited *William F. Sullivan & Company v. Commissioner of Revenue*.⁶ In *Sullivan*, the SJC held that the business of processing and baling scrap metal involved sufficient change to constitute manufacturing. Another decision favoring Noreast was *Joseph T. Rossi Corporation*

[continued on page eight](#)

Focus

on Municipal Finance

Fixed Costs

by Joan Grouke

Employee benefits are a major cost to cities and towns over and beyond direct salaries and wages paid to employees. In this article, we look at communities' spending on certain employee benefits or "fixed costs" from FY98 to FY00. Since fixed costs are legally or contractually mandated, communities possess only limited control over spending for these benefits.

More specifically, fixed costs include: retirement (contributory and non-contributory),¹ workers' compensation, unemployment, health insurance, life insurance, Medicare, other employee benefits and liability insurance. All of these costs, except for liability insurance, are employee related.

One of the most expensive parts of municipal employee benefits packages are contributions toward funding a system that pays benefits to employees upon their retirement (pension plans). In Massachusetts, communities either operate their own systems or belong to county-operated or regional systems. Communities' annual retirement contri-

butions are based on participation in a particular system, total salaries paid to pension eligible employees, the rate of return from the retirement fund's assets, and whether the retirement board has voted to fully fund the system.

In addition to initial retirement benefits, cost-of-living increases are usually assigned pensioners. Other benefits are provided for disability retirement (for people who retire early because of poor health), and survivors' benefits (for family members who continue to live after the death of retirees).

Pension fund liabilities can cause serious problems. Meeting current operating costs and covering the cost of retirees' benefits can easily place a strain on a municipal budget and possibly force a tax increase.

Communities fund workers' compensation to insure themselves against the risks of employees injuring themselves while on the job. These expenditures reflect the payment of premiums to companies and are based upon each community's workers' compensation policy, which assigns fixed rates to each category of worker.

Unemployment expenditures reflect the municipal payments to the state system. The state system provides unemployment benefits to laid off municipal and other workers.

Expenditures for health insurance reflect communities' spending on their share of premiums and claims for employees and retirees. Some communities have established health insurance claims trust funds to stabilize spending on health insurance claims over time.

Expenditures for life insurance represent a community's share of life insurance premiums for its employees based upon the type and value of each policy.

Medicare spending reflects payment of a percentage of wages of employees hired after a certain date, as mandated by federal Social Security legislation. This payment and the employees' match supplement the Medicare or hospital insurance portion of Social Security.

The other employee benefits category includes other employee-related items that a community may fund such as dental benefits. Communities pay liabil-

[continued on page six](#)

FY98, FY99 and FY00 Fixed Cost Spending by Category

Fixed cost	FY98	FY99	FY00	\$ Change, FY98-FY00	% Change, FY98-FY00
Retirement	540,394,897	584,153,097	607,259,891	66,864,994	12.4%
Worker's compensation	28,218,887	29,589,520	29,217,864	998,977	3.5%
Unemployment	5,063,145	6,091,389	6,160,614	1,097,469	21.7%
Health insurance	531,750,826	558,480,321	598,843,729	67,092,903	12.6%
Life insurance	3,720,883	4,742,639	4,042,895	322,012	8.7%
Medicare	35,246,738	41,365,193	47,446,492	12,199,754	34.6%
Other employment benefits	11,302,221	11,146,059	8,539,997	-2,762,224	-24.4%
Liability insurance	28,674,458	39,990,675	35,377,181	6,702,723	23.4%
Total, general fund	1,184,372,055	1,275,548,793	1,336,888,663	152,516,608	12.9%
Health claims trust funds*	91,570,833	85,354,478	105,714,807	14,143,974	15.4%
Total, all funds	1,275,942,888	1,360,903,271	1,442,603,470	166,660,582	13.1%

*Municipal contributions and employee contributions are reported together in the health claims trust fund.

Table 1

Fixed Costs

	FY99 fixed cost	FY00 fixed cost	FY00 total expenditures	Pct. change 99-00	FY00 total expenditures	Pct. change 99-00	FY00 total expenditures	Pct. change 99-00	FY00 total expenditures	Pct. change 99-00	FY00 total expenditures	Pct. change 99-00
Abington	2,504,885	2,758,571	25,156,142	10.1	11.0	25,156,142	10.1	11.0	25,156,142	10.1	11.0	25,156,142
Acton	2,113,003	2,143,533	39,006,348	0.0	5.4	39,006,348	0.0	5.4	39,006,348	0.0	5.4	39,006,348
Acushnet	1,231,068	1,041,053	14,013,775	13.1	7.4	14,013,775	13.1	7.4	14,013,775	13.1	7.4	14,013,775
Adams	1,088,952	9,268,539	31,715,558	31.7	15.5	31,715,558	31.7	15.5	31,715,558	31.7	15.5	31,715,558
Agawam	4,148,969	4,456,782	49,172,492	2.0	9.1	49,172,492	2.0	9.1	49,172,492	2.0	9.1	49,172,492
Alford	36,732	27,511	851,625	-25.1	3.2	851,625	-25.1	3.2	851,625	-25.1	3.2	851,625
Amesbury	2,803,312	3,678,715	33,239,231	31.2	11.0	33,239,231	31.2	11.0	33,239,231	31.2	11.0	33,239,231
Amherst	2,557,063	2,800,898	38,424,030	9.5	7.3	38,424,030	9.5	7.3	38,424,030	9.5	7.3	38,424,030
Andover	3,699,986	4,331,882	77,721,661	17.1	5.6	77,721,661	17.1	5.6	77,721,661	17.1	5.6	77,721,661
Aquinnah	125,907	145,301	1,637,482	15.4	8.9	1,637,482	15.4	8.9	1,637,482	15.4	8.9	1,637,482
Arlington	11,382,811	13,129,304	74,182,850	15.3	17.7	74,182,850	15.3	17.7	74,182,850	15.3	17.7	74,182,850
Ashburnham	285,231	392,614	7,277,642	37.6	5.4	7,277,642	37.6	5.4	7,277,642	37.6	5.4	7,277,642
Ashby	121,178	121,684	3,016,253	0.4	4.0	3,016,253	0.4	4.0	3,016,253	0.4	4.0	3,016,253
Ashfield	34,941	66,278	2,470,149	89.7	2.7	2,470,149	89.7	2.7	2,470,149	89.7	2.7	2,470,149
Ashland	2,145,366	2,230,954	25,398,313	4.0	8.8	25,398,313	4.0	8.8	25,398,313	4.0	8.8	25,398,313
Athol	1,383,701	1,518,923	9,097,717	9.8	16.7	9,097,717	9.8	16.7	9,097,717	9.8	16.7	9,097,717
Attleboro	5,803,312	6,193,169	80,175,674	6.7	7.7	80,175,674	6.7	7.7	80,175,674	6.7	7.7	80,175,674
Auburn	2,140,746	2,595,349	24,575,090	21.2	10.6	24,575,090	21.2	10.6	24,575,090	21.2	10.6	24,575,090
Avon	1,045,491	1,123,940	10,414,577	7.5	10.8	10,414,577	7.5	10.8	10,414,577	7.5	10.8	10,414,577
Ayer	1,489,094	1,679,263	15,039,391	12.8	11.2	15,039,391	12.8	11.2	15,039,391	12.8	11.2	15,039,391
Barnstable	3,550,711	4,270,821	87,357,872	20.3	4.9	87,357,872	20.3	4.9	87,357,872	20.3	4.9	87,357,872
Barre	188,820	232,966	5,422,271	23.4	4.3	5,422,271	23.4	4.3	5,422,271	23.4	4.3	5,422,271
Becket	153,735	174,702	2,892,638	13.6	6.0	2,892,638	13.6	6.0	2,892,638	13.6	6.0	2,892,638
Bedford	2,774,173	3,019,247	40,454,134	8.8	7.5	40,454,134	8.8	7.5	40,454,134	8.8	7.5	40,454,134
Belchertown	919,398	1,078,495	22,141,550	17.3	4.0	22,141,550	17.3	4.0	22,141,550	17.3	4.0	22,141,550
Bellingham	1,031,661	1,113,574	27,701,319	7.9	4.0	27,701,319	7.9	4.0	27,701,319	7.9	4.0	27,701,319
Belmont	2,799,864	2,878,734	55,298,478	2.8	5.2	55,298,478	2.8	5.2	55,298,478	2.8	5.2	55,298,478
Berkley	279,877	627,441	9,975,470	124.2	6.3	9,975,470	124.2	6.3	9,975,470	124.2	6.3	9,975,470
Berlin	276,374	342,660	5,291,671	24.0	6.5	5,291,671	24.0	6.5	5,291,671	24.0	6.5	5,291,671
Bernardston	79,396	89,353	2,479,320	12.5	3.6	2,479,320	12.5	3.6	2,479,320	12.5	3.6	2,479,320
Beverly	7,463,239	7,579,127	67,117,030	1.6	11.3	67,117,030	1.6	11.3	67,117,030	1.6	11.3	67,117,030
Billerica	7,111,169	7,336,635	80,173,771	3.2	9.2	80,173,771	3.2	9.2	80,173,771	3.2	9.2	80,173,771
Blackstone	366,295	437,304	8,287,250	19.4	5.3	8,287,250	19.4	5.3	8,287,250	19.4	5.3	8,287,250
Blandford	60,383	59,754	1,329,046	-1.0	4.5	1,329,046	-1.0	4.5	1,329,046	-1.0	4.5	1,329,046
Bolton	208,263	234,796	8,742,928	12.7	2.7	8,742,928	12.7	2.7	8,742,928	12.7	2.7	8,742,928
Boston	217,442,026	222,374,096	1,586,231,554	2.3	14.0	1,586,231,554	2.3	14.0	1,586,231,554	2.3	14.0	1,586,231,554
Bourne	3,655,640	3,992,907	30,418,581	9.2	13.1	30,418,581	9.2	13.1	30,418,581	9.2	13.1	30,418,581
Boxborough	746,051	747,637	10,718,348	0.2	7.0	10,718,348	0.2	7.0	10,718,348	0.2	7.0	10,718,348
Boxford	967,978	1,062,567	15,900,445	9.8	6.7	15,900,445	9.8	6.7	15,900,445	9.8	6.7	15,900,445
Boylston	469,365	523,997	7,189,433	11.6	7.3	7,189,433	11.6	7.3	7,189,433	11.6	7.3	7,189,433
Braintree	5,297,195	7,680,597	63,694,661	45.0	12.1	63,694,661	45.0	12.1	63,694,661	45.0	12.1	63,694,661
Brewster	1,105,202	1,345,464	20,331,313	21.7	6.6	20,331,313	21.7	6.6	20,331,313	21.7	6.6	20,331,313
Bridgewater	1,939,126	2,125,392	25,608,902	9.6	8.3	25,608,902	9.6	8.3	25,608,902	9.6	8.3	25,608,902
Brimfield	213,838	202,058	5,070,174	-5.5	4.0	5,070,174	-5.5	4.0	5,070,174	-5.5	4.0	5,070,174
Brockton	30,543,074	31,755,690	197,507,437	4.0	16.1	197,507,437	4.0	16.1	197,507,437	4.0	16.1	197,507,437
Brookfield	173,112	235,824	4,789,837	36.2	4.9	4,789,837	36.2	4.9	4,789,837	36.2	4.9	4,789,837
Brookline	12,680,844	12,631,858	129,370,034	-0.4	9.8	129,370,034	-0.4	9.8	129,370,034	-0.4	9.8	129,370,034
Buckland	95,989	139,114	2,300,893	44.9	6.0	2,300,893	44.9	6.0	2,300,893	44.9	6.0	2,300,893
Burlington	6,147,420	6,593,124	60,035,582	7.3	11.0	60,035,582	7.3	11.0	60,035,582	7.3	11.0	60,035,582
Cambridge	44,445,151	46,752,687	268,591,408	5.2	17.4	268,591,408	5.2	17.4	268,591,408	5.2	17.4	268,591,408
Canton	5,067,125	5,480,986	41,421,827	8.2	13.2	41,421,827	8.2	13.2	41,421,827	8.2	13.2	41,421,827
Carlisle	546,036	771,116	13,953,037	22.9	4.8	13,953,037	22.9	4.8	13,953,037	22.9	4.8	13,953,037
Carver	614,722	554,568	22,620,602	-9.8	2.5	22,620,602	-9.8	2.5	22,620,602	-9.8	2.5	22,620,602
Charmont	75,096	89,401	1,993,142	19.0	4.5	1,993,142	19.0	4.5	1,993,142	19.0	4.5	1,993,142
Charlton	486,501	619,349	10,846,643	27.3	5.7	10,846,643	27.3	5.7	10,846,643	27.3	5.7	10,846,643
Chatham	1,877,304	2,134,466	21,251,183	13.7	5.0	21,251,183	13.7	5.0	21,251,183	13.7	5.0	21,251,183
Chelmsford	3,723,557	3,487,301	64,717,433	-6.3	5.4	64,717,433	-6.3	5.4	64,717,433	-6.3	5.4	64,717,433
Chelsea	10,035,914	9,534,360	81,381,276	-5.0	11.7	81,381,276	-5.0	11.7	81,381,276	-5.0	11.7	81,381,276
Cheshire	180,611	141,682	2,603,312	-21.6	5.4	2,603,312	-21.6	5.4	2,603,312	-21.6	5.4	2,603,312
Chester	112,408	112,672	1,548,217	0.2	7.3	1,548,217	0.2	7.3	1,548,217	0.2	7.3	1,548,217
Chicopee	11,705,279	57,495	12,834,782	12.8	3.8	12,834,782	12.8	3.8	12,834,782	12.8	3.8	12,834,782
Chilmark	24,482	250,397	3,495,027	17.0	7.2	3,495,027	17.0	7.2	3,495,027	17.0	7.2	3,495,027
Chilmark	24,482	250,397	3,495,027	17.0	7.2	3,495,027	17.0	7.2	3,495,027	17.0	7.2	3,495,027
Clarkburg	1,033,650	117,072	2,339,558	12.9	5.0	2,339,558	12.9	5.0	2,339,558	12.9	5.0	2,339,558
Clinton	1,721,250	1,966,412	23,451,833	14.2	8.4	23,451,833	14.2	8.4	23,451,833	14.2	8.4	23,451,833
Cohasset	1,747,415	1,832,099	19,254,645	4.8	9.5	19,254,645	4.8	9.5	19,254,645	4.8	9.5	19,254,645
Colrain	87,196	100,559	2,160,080	15.3	4.7	2,160,080	15.3	4.7	2,160,080	15.3	4.7	2,160,080
Concord	3,489,411	3,768,864	41,625,550	8.0	9.1	41,625,550	8.0	9.1	41,625,550	8.0	9.1	41,625,550
Conway	168,234	187,613	3,471,114	11.5	5.4	3,471,114	11.5	5.4	3,471,114	11.5	5.4	3,471,114
Cummington	37,121	46,350	1,139,517	24.9	4.1	1,139,517	24.9	4.1	1,139,517	24.9	4.1	1,139,517
Dalton	503,348	526,731	8,238,802	4.6	6.4	8,238,802	4.6	6.4	8,238,802	4.6	6.4	8,238,802
Danvers	2,738,121	2,875,965	50,093,286	5.0	5.7	50,093,286	5.0	5.7	50,093,286	5.0	5.7	50,093,286
Dartmouth	2,020,981	2,235,365	38,512,969	10.6	5.8	38,512,969	10.6	5.8	38,512,969	10.6	5.8	38,512,969
Dedham	5,883,248	6,254,885	49,938,338	6.3	12.5	49,938,338	6.3	12.5	49,938,338	6.3	12.5	49,938,338
Deerfield	395,302	437,666	8,071,480	10.7	5.4	8,071,480	10.7	5.4	8,071,480	10.7	5.4	8,071,480
Dennis	1,562,243	2,046,022	27,781,430	31.0	7.4	27,781,430	31.0	7.4	27,781,430	31.0	7.4	27,781,430
Dighton	374,675	391,709	7,004,478	4.5	5.6	7,004,478	4.5	5.6	7,004,478	4.5	5.6	7,004,478
Douglas	830,242	1,029,720	12,886,574	24.0	8.0	12,886,574	24.0	8.0	12,886,574	24.0	8.0	12,886,574
Dover	851,449	893,682	13,793,356	5.0	6.5	13,793,356	5.0	6.5	13,793,356	5.0	6.5	13,793,356
Dracut	1,402,742	1,491,736	36,720,363	6.3	4.1	36,720,363	6.3	4.1	36,720,363	6.3	4.1	36,720,363
Dudley	460,529	535,391	7,431,207	16.3	7.2	7,431,207	16.3	7.2	7,431,207	16.3	7.2	7,431,207
Dunstable	102,082	115,469	3,691,007	13.1	3.1	3,691,007						

	FY99 fixed cost	FY00 fixed cost	FY00 total expenditures	Pct. change 99-00	FY00 total expenditures	Pct. change 99-00	FY00 total expenditures	Pct. change 99-00	FY00 total expenditures	Pct. change 99-00
Methuen	6,843,630	6,801,537	75,834,107	-0.6	9.0	75,834,107	-0.6	9.0	75,834,107	-0.6
Middleborough	4,541,940	5,135,002	37,557,463	13.1	13.7	37,557,463	13.1	13.7	37,557,463	13.1
Middlefield	37,637	43,988	891,704	16.9	6.4	891,704	16.9	6.4	891,704	16.9
Middletown	593,217	582,336	12,652,988	-1.8	4.8	12,652,988	-1.8	4.8	12,652,988	-1.8
Milford	4,193,549	4,494,015	47,660,573	10.9	9.6	47,660,573	10.9	9.6	47,660,573	10.9
Milbury	1,762,628	1,628,462	18,240,749	-7.6	8.9	18,240,749	-7.6	8.9	18,240,749	-7.6
Millis	920,563	893,265	14,673,777	-3.0	6.1	14,673,777	-3.0	6.1	14,673,777	-3.0
Millville	116,123	82,076	2,705,109	-29.3	13.1	2,705,109	-29.3	13.1	2,705,109	-29.3
Milton	5,993,734	6,489,252	47,031,099	9.3	10.8	47,031,099	9.3	10.8	47,031,099	9.3
Monroe	36,331	35,784	350,557	-1.5	10.2	350,557	-1.5	10.2	350,557	-1.5
Monson	963,832	1,026,147	15,044,850	6.5	6.8	15,044,850	6.5	6.8	15,044,850	6.5
Montague	947,935	1,005,287	9,304,188	6.1	10.8	9,304,188	6.1	10.8	9,304,188	6.1
Montearey	102,167	12,692	1,918,889	10.3	6.2	1,918,889	10.3	6.2	1,918,889	10.3
Montgomery	34,979	30,348	387,731	-13.2	7.8	387,731	-13.2	7.8	387,731	-13.2
Mt. Washington	46,096	48,710	332,955	5.7	14.6	332,955	5.7	14.6	332,955	5.7
Morris	591,493	659,289	7,292,327	11.5	9.0	7,292,327	11.5	9.0	7,292,327	11.5
Nahant	3,715,106	4,268,150	36,903,460	14.9	11.6	36,903,460	14.9	11.6	36,903,460	14.9
Nantucket	7,890,246	8,488,934	70,499,310	7.6	12.0	70,499,310	7.6	12.0	70,499,310	7.6
Natick	7,331,457	7,917,696	59,598,323	8.0	13.3	59,598,323	8.0	13.3	59,598,323	8.0
Needham	6,469	6,469	263,237	0.0	2.5	263,237	0.0	2.5	263,237	0.0
New Ashford	21,403,421	23,324,894	187,705,075	9.0	12.4	187,705,075	9.0	12.4	187,705,075	9.0
New Bedford	56,720	65,503	1,105,056	15.5	5.9	1,105,056	15.5	5.9	1,105,056	15.5
New Braintree	84,396	88,264	2,001,035	4.6	4.4	2,001,035	4.6	4.4	2,001,035	4.6
New Marlborough	30,214	35,483	1,298,994	17.4	2.7	1,298,994	17.4	2.7	1,298,994	17.4
New Salem	417,599	524,079	9,771,467	25.5	5.4	9,771,467	25.5	5.4	9,771,467	25.5
Newburyport	1,628,124	1,936,411	28,079,495	18.9	6.9	28,079,495	18.9	6.9	28,079,495	18.9
Newton	9,123,217	9,664,064	173,491,162	5.9	5.6	173,491,162	5.9	5.6	173,491,162	5.9
Norfolk	975,783	1,071,304	17,234,562	9.8	6.2	17,234,562	9.8	6.2	17,234,562	9.8
N. Adams	3,021,267	3,258,228	30,156,395	7.8	10.8	30,156,395	7.8	10.8	30,156,395	7.8
N. Andover	4,396,241	1,721,301	42,948,038	-60.8	4.0	42,948,038	-60.8	4.0	42,948,038	-60.8
N. Attleborough	4,085,070	4,488,002	48,441,866	9.9	9.3	48,441,866	9.9	9.3	48,441,866	9.9
N. Brookfield	720,209	849,234	7,368,989	17.9	11.1	7,368,989	17.9	11.1	7,368,989	17.9
N. Reading	2,638,730	2,720,623	27,797,308	3.1	9.8	27,797,308	3.1	9.8	27,797,308	3.1
N. Reading	7,217,460	8,147,089	52,836,892	12.9	15.4	52,836,892	12.9	15.4	52,836,892	12.9
Northampton	1,893,663	2,127,940	25,809,519	12.4	8.2	25,809,519	12.4	8.2	25,809,519	12.4
Northborough	2,215,655	2,456,241	23,113,611	10.9	10.6	23,113,611	10.9	10.6	23,113,611	10.9
Northfield	138,738	171,864	3,825,118	23.9	4.5	3,825,118	23.9	4.5	3,825,118	23.9
Norton	2,657,438	2,919,822	29,617,517	9.9	9.9	29,617,517	9.9	9.9	29,617,517	9.9
Norwell	1,565,566	1,745,900	22,861,180	11.5	7.6	22,861,180	11.5	7.6	22,861,180	11.5
Norwood	3,847,139	4,773,261	75,205,291	24.1	6.3	75,205,291	24.1	6.3	75,205,291	24.1
Oak Bluffs	985,968	1,147,619	12,932,200	16.4	8.9	12,932,200	16.4	8.9	12,932,200	16.4
Oakham	69,578	80,540	1,644,314	15.8	4.9	1,644,314	15.8	4.9	1,644,314	15.8
Orange	334,901	403,316	13,700,793	20.4	2.9	13,700,793	20.4	2.9	13,700,793	20.4
Orleans	1,135,757	1,317,977	14,697,766	16.0	9.0	14,697,766	16.0	9.0	14,697,766	16.0
Otis	109,915	82,421	2,389,995	-25.0	3.4	2,389,995	-25.0	3.4	2,389,995	-25.0
Oxford	1,809,690	2,163,384	20,046,663	19.5	10.8	20,046,663	19.5	10.8	20,046,663	19.5
Palmer	2,312,799	2,691,741	24,484,680	16.4	11.0	24,484,680	16.4	11.0	24,484,680	16.4
Paxton	222,044	271,291	8,920,807	22.2	3.0	8,920,807	22.2	3.0	8,920,807	22.2
Peabody	9,632,161	9,983,159	94,253,268	3.6	10.6	94,253,268	3.6	10.6	94,253,268	3.6
Pelham	138,186	156,150	2,291,558	13.0	6.8	2,291,558	13.0	6.8	2,291,558	13.0
Pembroke	2,339,618	2,506,635	25,532,730	7.1	9.8	25,532,730	7.1	9.8	25,532,730	7.1
Pepperell	543,492	539,296	10,393,974	-0.8	5.2	10,393,974	-0.8	5.2	10,393,974	-0.8
Peru	24,297	27,052	904,311	11.3	3.0	904,311	11.3	3.0	904,311	11.3
Petersham	78,652	81,518	1,582,676	3.6	5.2	1,582,676	3.6	5.2	1,582,676	3.6
Phillipston	74,224	83,151	1,653,345	12.0	5.0	1,653,345	12.0	5.0	1,653,345	12.0
Pittsfield	12,788,787	14,784,876	80,354,051	15.6	18.4	80,354,051	15.6	18.4	80,354,051	15.6
Plainfield	65,362	67,787	864,971	3.7	7.8	864,971	3.7	7.8	864,971	3.7
Plainville	731,479	727,153	11,865,444	-0.6	6.1	11,865,444	-0.6	6.1	11,865,444	-0.6
Plymouth	2,874,862	3,733,215	93,742,580	29.9	4.0	93,742,580	29.9	4.0	93,742,580	29.9
Plympton	218,639	224,810	4,373,221	2.8	5.1	4,373,221	2.8	5.1	4,373,221	2.8
Princeton	222,982	281,034	5,255,458	26.0	5.3	5,255,458	26.0	5.3	5,255,458	26.0
Princeton	1,989,184	2,413,496	12,674,921	21.3	19.0	12,674,921	21.3	19.0	12,674,921	21.3
Quincy	30,537,118	30,779,806	175,549,071	0.8	17.5	175,549,071	0.8	17.5	175,549,071	0.8
Randolph	3,943,937	4,342,366	56,550,973	10.1	7.7	56,550,973	10.1	7.7	56,550,973	10.1
Raynham	1,089,618	1,194,838	15,165,147	9.7	7.9	15,165,147	9.7	7.9	15,165,147	9.7
Reading	5,225,636	5,592,709	47,287,594	7.0	11.8	47,287,594	7.0	11.8	47,287,594	7.0
Rehoboth	531,920	593,394	11,054,257	11.6	5.4	11,054,257	11.6	5.4	11,054,257	11.6
Revere	12,298,212	13,282,470	94,009,344	8.0	14.1	94,009,344	8.0	14.1	94,009,344	8.0
Richmond	128,990	144,594	3,331,543	12.1	4.3	3,331,543	12.1	4.3	3,331,543	12.1
Rochester	260,117	308,599	8,701,539	18.6	3.5	8,701,539	18.6	3.5	8,701,539	18.6
Rockland	3,196,035	3,444,769	31,570,240	4.7	10.6	31,570,240	4.7	10.6	31,570,240	4.7
Rockport	1,903,988	2,100,352	18,669,237	10.3	11.3	18,669,237	10.3	11.3	18,669,237	10.3
Rowe	184,406	179,023	1,748,594	-2.9	10.2	1,748,594	-2.9	10.2	1,748,594	-2.9
Rowley	290,491	381,074	7,868,394	24.3	4.6	7,868,394	24.3	4.6	7,868,394	24.3
Royalston	26,740	74,224	1,206,496	177.6	6.2	1,206,496	177.6	6.2	1,206,496	177.6
Russell	87,151	118,711	1,398,633	36.2	8.5	1,398,633	36.2	8.5	1,398,633	36.2
Rutland	262,475	295,665	6,875,899	12.6	4.3	6,875,899	12.6	4.3	6,875,899	12.6
Salem	9,149,080	9,312,340	76,825,146	1.8	12.1	76,825,146	1.8	12.1	76,825,146	1.8
Salisbury	667,744	697,858	12,037,976	4.5	5.8	12,037,976	4.5	5.8	12,037,976	4.5
Sandisfield	58,287	63,259	1,478,187	8.5	4.3	1,478,187	8.5	4.3	1,478,187	8.5
Sandwich	3,435,846	4,154,573	37,927,724	20.9	11.0	37,927,724	20.9	11.0	37,927,724	20.9
Saugus	5,378,955	5,959,503	46,343,956	10.8	12.9	46,343,956	10.8	12.9	46,343,956	10.8
Savoy	54,577	36,456	1,130,746	-33.2	3.2	1,130,746	-33.2	3.2	1,130,746	-33.2
Schuttate	2,873,003	2,935,007	31,004,037	2.2	9.5	31,004,037	2.2	9.5	31,004,037	2.2
Seekonk	2,434,517	1,166,266	25,097,895	-52.1	4.6	25,097,895	-52.1	4.6	25,097,895	-52.1
Sharon	3,468,107	3,712,524	40,231,658	7.0	9.2	40,231,658	7.0	9.2	40,231,658	7.0
Shelford	206,437	205,474	5,142,689	-0.5	4.0	5,142,689	-0.5	4.0	5,142,689	-0.5
Shelburne	106,961	108,013	2,163,291	1.0	5.0	2,163,291	1.0	5.0	2,163,291	1.0
Sherborn	632,555	675,320	12,143,851	6.8	5.6	12,143,851	6.8	5.6	12,143,851	6.8
Shirley	798,493	800,497	9,395,953	0.3	9.4	9,395,953	0.3	9.4	9,395,953	0.3
Shrewsbury	3,619,376	3,876,672	47,911,829	7.1	8.1	47,911,829	7.1	8.1	47,911,829	7.1
Shutesbury	265,547	308,638	3,714,740	16.2	8.3	3,714,740	16.2	8.3	3,714,740	16.2
Somerset	1,296,713	1,346,702	27,591,054	3.9	4.9	27,591,054	3.9	4.9	27,591,054	3.9
Somerville	20,589,237	21,421,824	139,828,841	4.0	15.3	139,828,841	4.0	15.3	139,828,841	4.0
S. Hadley	2,689,760	3,202,456	23,708,459	19.1	13.5	23,708,459	19.1	13.5	23,708,459	19.1
Southampton	565,326	683,292	8,205,116	20.9	8.3	8,205,116	20.9	8.3	8,205,116	20.9
Southborough	1,441,287	1,698,350	19,115,554	17.8	8.9	19,115,554	17.8	8.9	19,115,554	17.8
Southbridge	1,152,016	1,168,318	26,673,018	1.4						

Fixed Costs

continued from page three

FY00 Fixed Cost By Funds		
Category	% of total	Statewide total
Retirement	42.1%	607,259,891
Health insurance	41.5%	598,843,729
Liability insurance	2.5%	35,377,181
Worker's compensation	2.0%	29,217,854
Medicare	3.3%	47,446,492
Unemployment	0.4%	6,160,614
Other employment benefits	0.6%	8,539,997
Life insurance	0.3%	4,042,895
Total, general fund		1,336,888,663
Health claims trust funds	7.3%	105,714,807
Total, all funds		1,442,603,470

Table 3

ity insurance premiums to companies to protect themselves from lawsuits brought against communities and local officials.

Fixed Costs FY98–FY00

In FY00, general fund fixed costs represented the second largest category of spending by communities, averaging 10.9 percent of statewide municipal general fund expenditures and totaling \$1,336,888,663. The only budget category with a larger share of spending was education, which accounted for 47.9 percent of spending.² Statewide, FY00 fixed costs ranged from a low of 1.1 percent (Hancock) to a high of 25.0 percent (Springfield) as a share of a community's total spending.

Since FY98, fixed costs have increased at a slightly higher rate than overall spending. Between FY98 and FY99, fixed costs rose 7.68 percent, slightly more than the 7.63 percent increase in spending. Between FY99 and FY00, statewide fixed costs increased 4.86 percent, while total spending increased 4.28 percent.

Components of Fixed Costs in FY00

In FY00, 91 percent of communities' fixed cost spending was in two categories. Retirement (contributory and non-contributory) accounted for 42.1 percent and health insurance (general and trust fund) accounted for 48.8 percent of total fixed cost spending. Statewide, communities spent \$607.3 million on retirement and \$704.5 million on health insurance.

Components of Fixed Costs FY98–FY00

During these years, the most significant fixed cost dollar increases were in the health area. Health insurance spending from the general fund rose by \$67,092,903, or 12.6 percent, between FY98 and FY00, increasing from \$531.7 million to \$598.8 million. When general fund health insurance and transfers into health claim trust funds are combined, FY00 municipal spending on health costs was \$704.6 million, 13 percent higher than FY98 combined health spending of \$623.4 million.

Between FY98 and FY00, unemployment spending increased by \$1,097,469, or 21.7 percent. Medicare rose from \$35.3 million to \$47.4 million, an increase of \$12.2 million, or 34.6 percent. Workers' compensation spending increased by \$998,977, or 3.5 percent, over the same period, rising from \$28.2 million to \$29.2 million.

The cost of life insurance also increased between FY98 and FY00 while the cost of other employee benefits decreased. Life insurance rose by 8.7 percent, or \$322,012, and other employee benefits decreased 24.4 percent, or \$2.76 million. Liability insurance rose 23.4 percent between FY98 and FY00. Retirement (contributory and non-contributory) increased by \$66.9 million, or 12.4 percent. ■

1. Non-contributory retirement represents communities' contributions toward funding retirement benefits for employees (and their survivors) whose service began prior to the establishment of the current contributory system.
2. This figure includes only direct costs for education spending.

Community Preservation Act Meeting

The Executive Office of Environmental Affairs and the Community Preservation Coalition will be holding a statewide Community Preservation Act Conference on March 16, 2002. The conference will be held at Tuckerman Hall in Worcester from 8:15 am to 12:30 pm. Participants may attend workshops on understanding, adopting and implementing the act. Contact Dawn Henderson for registration information by March 6, 2002 at (617) 626-4907 or by e-mail at dawn.e.henderson@state.ma.us. Space is limited. ■

DLS Update

LeBovidge Appointed Commissioner

Governor Jane Swift has named Alan LeBovidge, a former vice-chairman at Coopers & Lybrand and former partner at PricewaterhouseCoopers, as commissioner of the Massachusetts Department of Revenue.



LeBovidge, 59, spent 32 years at the firm, heading branch offices in Boston and Hartford before being named partner-in-charge of the Northeast region and then

vice-chairman. In the latter role he oversaw the firm's U.S. tax operations and supervised 250 partners and 3,000 staff. Over his five-year tenure as vice-chairman, the firm's tax practice grew from \$200 million annually to \$400 million annually.

LeBovidge holds a bachelor's degree in economics from the University of Massachusetts at Amherst, a law degree from Boston College and a master of law from Boston University.

LeBovidge retired from PricewaterhouseCoopers in 1999. He is an overseer at the Beth Israel Deaconess Hospital and is a board member at Eduventure.com, an educational research company, and Child Trends, an organization dedicated to researching children and family issues.

UST Grant Program Notice

The Underground Storage Tank (UST) Petroleum Product Cleanup Fund Administrative Review Board is now accepting municipal grant applications for FY02. The specific eligibility requirements can be found at 503 CMR 3.00. In summary:

- The program reimburses for removal and/or replacement of USTs *only* and *not* remediation.
- Only one grant application may be submitted per entity per year and must be limited to one location only.
- Grants are divided into four categories and may be subject to a rating system.

The grant application must be signed by a chief administrative officer, and the Federal Identification number must be included on the last page of the application. The application must be submitted with appropriate documentation and proof of payment along with a brief description of the work performed.

All applicants seeking FY02 reimbursement must have all work completed and the application filed by May 31, 2002.

The regulations, application and other program information may be obtained through the Underground Storage Tank website at www.mass.gov. If you have any questions please call Stuart Glass at (617) 887-5978.

New Regional School District Legislation

Chapter 6 of the Acts of 2002 has recently been enacted to amend certain provisions of Chapter 71 of the Massachusetts General Laws. This legislation was sponsored by Representative Mark J. Carron and supported by the Division of Local Services (DLS), the Department of Education and the state auditor. Under this new legislation, the same person would no longer be permitted to perform both the accounting and treasury functions in regional school districts. In the past, some regional school districts have vested the duties of accountant and treasurer in

one person, such as the business manager. However, this staffing arrangement clearly compromises financial controls and defeats the system of checks and balances.

This new legislation also requires regional school district school committees to solicit proposals and contract with an independent certified public accountant to perform annual financial audits. Deputy Commissioner Joseph J. Chessey, Jr. has expressed the hope that the implementation of these "common sense financial controls" will better protect the assets of regional school districts. ■

GASB 34

[continued from page one](#)

Bellingham is also setting objectives and criteria regarding the Management Discussion and Analysis (MD&A) with the town administrator. The focus of the MD&A is to provide an objective and easily readable analysis of the governments' financial situation based on facts, policy decisions and the financial condition of the town.

Due to advanced planning, Bellingham will be ready to present financial statements in accordance with GASB 34 in FY03. Emphasizing the team approach to performing several of these new tasks associated with GASB 34 is essential. ■

1. GASB is the independent private sector organization that establishes and improves financial accounting and reporting standards for state and local governments.
2. Though the GASB has always required that governments account for their general fixed assets, in practice, many Massachusetts governments have not inventoried and valued their capital assets. Historically, audit firms have issued "qualified" opinions to cities and towns that do not have fixed asset records. Now that GASB 34 has been issued, the lack of fixed asset accounting may result in an "adverse" opinion from an audit firm.

DLS Profile: Education Audit Bureau

The Division of Local Services' (DLS) Education Audit Bureau has concluded its work of performing audits and various surveys of public school districts throughout the Commonwealth.



Education Audit Bureau staff.

The Education Audit Bureau (Ed Audit) was created in 1997 as a result of an executive order which established the Education Management Accountability Board (EMAB). Though housed in DLS, Ed Audit's mandate was to perform audits for EMAB to determine the extent to which school districts were using funding to implement the provisions of the Education Reform Act of 1993.

Two months after the issuance of the executive order, the Ed Audit Bureau performed its first audit in the Malden public schools. Since then, Ed Audit performed a total of 35 audits of local and regional school districts. These audits reviewed areas such as school finances, staffing, test scores, school improvement and technology plans. Ed Audit also issued three progress reports and two surveys of multiple districts. The new Educational Management Accountability Council (EMAC), which replaced EMAB in 2001, is exploring means of evaluating the performance of school districts using MCAS (Massachusetts Comprehensive Assessment System) testing.

Deputy Commissioner Joseph J. Chessey, Jr. has extended congratulations to Bureau Chief Dieter Wahl and the Ed Audit staff for successfully carrying out their mandate. Michael Sentance, former EMAB chairperson, said that the "Ed Audit staff exceeded our expectations in terms of competency and professionalism. They were the best ambassadors for school accountability that the Commonwealth has ever had." ■

Manufacturing

continued from page two

v. State Tax Commission, where the SJC ruled that a corporation was engaged in manufacturing when it cut down standing timber and converted the timber into cut lumber of different sizes.⁷

In the Appeals Court's view, there was abundant evidence that Noreast was engaged in manufacturing. Secondly, the manufacturing activities of Noreast were clearly substantial since the company's vegetable processing was its fundamental business. For these reasons, the Appeals Court reversed the ATB's decision and ruled Noreast was eligible for manufacturing classification. ■

1. 50 Mass. App. 352 (2000).
2. M.G.L. Ch. 63 Sec. 38C and 830 CMR 58.2.1.
3. 262 Mass. 439, 444-445 (1928).
4. 393 Mass. 424 (1984).
5. 323 Mass. 730 at 742 (1949).
6. 413 Mass. 576 (1992).
7. 369 Mass. 178 (1975).

City & Town

City & Town is published by the Massachusetts Department of Revenue's Division of Local Services (DLS) and is designed to address matters of interest to local officials.

Joan E. Grouke, Editor

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