



Town of Aquinnah

Financial Management Review

Municipal Data Management and Technical Assistance Bureau

March 2006

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Overview

The Aquinnah Board of Selectmen invited the Department of Revenue's Division of Local Services' Technical Assistance team into town hall in early November. The board was hoping to identify areas where they could improve service to the residents of Aquinnah by finding efficiencies and enhancements in structure, management, personnel and general financial practices.

Aquinnah is a tiny town facing unique issues. According to the most recent US Census estimates, the town has 359 people, which makes it the eighth smallest municipality in the Commonwealth and the smallest town on the island of Martha's Vineyard. During the summer months, the population increases, placing additional stress on town infrastructure. Aquinnah, the five other towns on Martha's Vineyard, and the various regional governmental entities must find their employees within the confines of the island, or provide handsome incentive packages to entice others to come live on a remote, expensive island. Aquinnah is also home to the only federally recognized Native American Tribe, the Wampanoag Tribe of Gay Head (Aquinnah), in the Commonwealth. For Aquinnah, all of these factors have culminated in a struggle to provide adequate government services to its population. Assessing, collections, treasury, police and fire protection, health and building inspections, and education are a few of the services that a town in Massachusetts must provide to its residents, no matter how big or small, and despite the obstacles it faces.

Recently, the town experienced an upheaval in its financial offices when various elected treasurers failed to perform required duties. By voting to appoint and combine the position with that of the collector, they now have the infrastructure in place to make sure that treasury duties will be performed consistently in the future. The board of selectmen also recently appointed a new administrator who has an expanded role, but no management control. It is now time for the town to look into how town hall personnel are managed, how effectively they perform their required duties, and how the actions of everyone in town government move the town toward the achievement of long-term financial health.

In addition to the administration of town government, Aquinnah must also work with the resident tribal population and the five other towns on the island of Martha's Vineyard. The tribe has sovereignty over a significant portion of land within town borders where a variety of buildings and a federally funded housing development are located. The relationship between the town and tribe has been formalized in two agreements: the 1983 Land-Use Settlement Agreement and the 1995 Public Safety Agreement. Over the years, the two parties have, for the most part, abided by the terms of these agreements, despite the fact that details are sometimes missing, i.e., there is no stipulated method of calculating stipends and payments-in-lieu-of-tax (PILOT) fees. Of financial importance to the town, in particular, is the housing development on tribal land, and the thirty children who live there and attend the Martha's Vineyard public school system. Aquinnah taxpayers are spending over one-fifth of their FY06 \$2.5 million budget on the education of

children who live on tax-exempt land. The town and the tribe must make it a priority to find alternate means of funding the education of those children.

There are five other towns on the island that also must provide adequate, professional services to their citizens. There is precedence for cooperation between those towns. Among other areas, all six towns have partnered for a regional high school and the three up-island towns have partnered for an elementary school district as well as a shared ambulance service. However, none of the six towns have partnered for certain practical functions of running government: assessing, collections, treasury, accounting, harbor patrol, and public works.

Conclusion – The following pages depict a small town in a unique situation. Beyond the recommendations concerning financial management within town hall and the ongoing evolution of various relationships that Aquinnah has outside of town hall, the selectmen and other town leaders must seek to build confidence among all residents that they are working towards the best interests of the citizens, tribal or not, taxpayer or not, of the town of Aquinnah. This can be achieved faster when there is mutual trust that agreements made in good faith are adhered to; when partnerships are persistently pursued where none currently exist; and when decisions are made to elevate staff performance in town hall to a consistently high level.

Overall Financial Management

A review of the town's overall financial management practices focuses on the procedures in place to accomplish tasks that typically cross over among various municipal departments, as well as those that tend to impact town government on a global basis. Accordingly, we examined the budget process and the payroll and vendor warrant processes. We looked at long-term planning, financial monitoring practices and financial policies, as well as the effect of the town's organizational structure on governmental operations. We examined the purchasing system and personnel administration. We considered the roles of and relationships among individuals together with the level of communication and cooperation that exists between offices. Finally, we reviewed compliance with state law relating to finance issues, adherence to form, and to timetables for the submission of periodic reports to the State Department of Revenue (DOR).

A three-member, part-time board of selectmen runs Aquinnah town government. They appoint an administrator to the board and town accountant, among others. An independently elected board of assessors appoints their assessors' clerk, and the elected treasurer and collector were converted to a single, appointed position in May 2005. The position has already been combined, and will officially be appointed by the selectmen effective May 2006. The finance committee, a three-member board appointed by the moderator, spearheads the budget process with the help of the administrator to the board and the accountant. The budget process seems to run smoothly, although Aquinnah, like all municipalities, is facing an era of tight finances.

Aquinnah has taken measurable steps in the last two years to create a more professional environment within town hall. The selectmen expanded the role and authority of their administrator before hiring the current office-holder in July 2005. There is now a consistent presence in the selectmen's office during town hall hours. However, town hall staff is used to autonomy and the transition has not been easy for those not used to a full-time administrative presence. Still, no one in town hall is officially managing the town's fiscal affairs or ensuring that financial officers are accomplishing their statutory duties. The transition to an appointed, combined treasurer/collector has improved performance in that office, but until May 2006, when it officially becomes appointed, it is expected that continued sporadic lapses will occur. Although the selectmen have a better understanding of town hall operations through their administrator, most department heads run their offices with the knowledge that no one is demanding accountability or monitoring performance on a daily basis. Therefore, opportunities for coordination and cooperation among department heads are missed, creating an atmosphere of self-reliance and frustration with town leadership among staff.

Conclusion – Aquinnah, to its credit, has made strides in the last five years to become a more professional government operation. A major effort was made to collect back taxes, the selectmen have created a more professional position for their administrator, and important financial functions are now under the purview of an appointed, qualified treasurer/collector. No one denies, however, that there is still a significant amount of work to be done. The following recommendations are intended to guide the town as it continues to grow and develop.

Recommendation 1: Change the Job Title of the Administrator to the Board and Codify the Position in a Bylaw

We recommend that the selectmen change the job title of the administrator to the board to town coordinator, and propose a bylaw codifying the authority of the town coordinator to town meeting. In July 2005, the selectmen hired a new administrator to the board with greatly increased responsibility and salary. Both inside and outside of town hall there was some confusion concerning the new position for the title remained the same. The current treasurer/collector, assessing clerk and accountant have held the position under the selectmen at some point in their tenure. Therefore, to clarify this new role, we suggest that the selectmen consider changing the job title to town coordinator. The new title will convey the true standing of the office holder to act on behalf of the board of selectmen and to resolve the issues, concerns and problems that are otherwise brought to town hall. It would also alleviate further confusion as to responsibility and authority among town hall staff.

In the absence of a town charter, we recommend the selectmen propose a town meeting article to establish the position in a bylaw. Town Meeting action to codify the position and its specific duties would serve as an important signal that residents endorse the selectmen's determination to move toward a more stable and professional government operation. This change should be done in tandem with the bylaw changes suggested in Recommendation 8.

Recommendation 2: Coordinate Activities and Responsibilities Between and Within Financial Offices

We recommend that the town coordinator schedule regular monthly meetings, collectively, with the heads of all finance departments. Currently, the town coordinator meets together with the accountant, treasurer/collector and the financial consultant on an as-needed basis. The town coordinator should include the assessing office, formalize these into regular, monthly meetings, and, in particular, schedule them after the accountant has met with the treasurer/collector to reconcile cash and receivables. In addition to reports on reconciliations, the agenda can include updates on the status of the tax recap, pursuit of delinquent accounts and tax titles, and any other pending issue that requires planning or action. Above all, these meetings should be viewed as an opportunity for increased, open communication between financial officers and the town coordinator.

We further recommend that the town coordinator and all financial officers create a master municipal and financial calendar for the town of Aquinnah. A template municipal calendar can be found on the Division of Local Service's (DLS) website (www.dls.state.ma.us) under Publications and Forms. The town coordinator should meet collectively with the accountant, treasurer/collector, and assessors' clerk to modify the master calendar to suit the specific needs of Aquinnah. Through the group effort, all officers can make sure that they are in agreement about project goals, deadlines and each individual's role in completing town fiduciary tasks.

Recommendation 3: Address Town Hall and Personnel Issues

Policies should be considered and adopted with the intent to raise the overall level of professionalism in town hall, inspire public confidence in government and ensure equitable treatment for all employees. The process can begin with a critical examination of town hall operations from the perspective of the public. It can continue with interaction among staff, independent boards, and the town coordinator with the goal of creating as positive an environment as possible for those who visit and work in town hall.

We recommend that the town adopt a personnel policy and place the town coordinator in charge of its implementation. A personnel policy should, at a minimum, define the hours of a full time and part-time employee, establish a classification system, set guidelines to identify and grant salary step raises, and address employee rights, obligations and recourse in the case of dispute or grievance. Policies should be uniform relative to the accumulation of compensated sick and vacation time, and include the adoption of a performance evaluation program.

In some instances, town meeting approval would be necessary to make changes, while the selectmen have the authority to implement other policies. In any event, we suggest that Aquinnah contact other island towns for ideas, and draw upon knowledge from active citizens who work or have worked in management in the private or public sectors.

We recommend that all offices be occupied during regular town hall hours. Currently, staff in town hall is overseen by a variety of part-time boards that spend little time in town hall during regular office hours. Even with enhanced responsibilities, the town coordinator has no authority to manage town hall staff. As a result, although work is completed timely, town hall staff feel comfortable to be away from their offices for extended blocks of time, and run their offices independently of an overall town hall management plan.

Of paramount importance to town government is providing responsive, customer service to taxpayers. To assess government performance in this regard, the town coordinator should examine the public interaction with town hall departments. He should survey the difference between town hall hours and various departmental hours with an eye toward deficiencies in staffing or office coverage. Thereafter, we would expect the town coordinator to work with existing personnel to explore ways to create a more professional environment in town hall.

We further recommend that the town coordinator work with all boards and staff to review, update, or create job descriptions. With the completion of this task, the town coordinator can better determine the most effective allocation of personnel resources in town government. In the consideration of job functions, emphasis should be placed on gaining efficiencies by reducing paperwork, increasing computer use, and eliminating unnecessary tasks in each office. It will also give the town coordinator the opportunity to meet with each department. These meetings will cover not just job descriptions, but also staffing and other issues, and will provide an opportunity to clarify priorities. It will also give him intimate knowledge of each department, which will only help the budget process and overall management of government.

Once job descriptions are created and agreed upon, we recommend that the town develop and implement an employee performance evaluation program. Currently missing in Aquinnah town government is the opportunity to reinforce the hierarchy of government and a chance to clarify job expectations for employees with the message that their performance will be measured annually. If implemented in a methodical, even-handed way, regular job performance evaluations elevate employee morale and build resident confidence in government.

Because of the absence of a single appointing authority, the board of selectmen would evaluate the town coordinator and he would evaluate department heads over which the board has jurisdiction. Other boards would evaluate their respective department heads, who would then complete staff evaluations. Elected positions would not be evaluated.

Guidelines need to be developed that identify procedures for reviewing an employee's work responsibilities, previously established goals, and job expectations. They should lead to agreement on priorities and new goals for the ensuing evaluation period.

We recommend employees take advantage of training opportunities. Certified educational courses, designed specifically for municipal accountants, treasurer/collectors, assessors, finance committee members, and town government management staff, are essential to professional growth. In the case of Aquinnah, access to educational resources can only accelerate the current process of on-the-job training for its town financial team. We encourage all staff to continue these efforts.

Additionally, the island of Martha's Vineyard has five other towns and a county, all employing experts in the various municipal fields. Establishing relationships with officers from other governmental authorities can only help education levels. More often than not, a counterpart with experience in another community can provide practical insights into municipal practice that supplements what courses have to offer. To benefit in this regard, Aquinnah financial officers should initiate contact with other towns as questions arise. Perhaps a schedule of regular meetings could be achieved in order to discuss issues and to create a mentoring program.

Recommendation 4: Officially Adopt Quarterly Billing – MGL Ch 59 §57C

We recommend that town meeting adopt quarterly billing. Although the town has been issuing quarterly tax bills for at least five years, there is no record of town meeting officially adopting the process. Therefore, on the next town meeting warrant, the selectmen should place an article to accept MGL Ch 59 §57C for the purpose of adopting or establishing a quarterly tax payment system. Once town meeting has accepted the article, the town clerk should send notification of the adoption to the Division of Local Services. Please see IGR 05-204 on the subject: http://www.dls.state.ma.us/PUBL/IGR/2005/igr05_204.pdf.

To avoid further confusion as to which local acceptance laws the town of Aquinnah has adopted, we suggest that the town clerk cull the town meeting minutes and create a log. An Excel spreadsheet should include the General Law adopted, the date of the town meeting, the warrant article and the effective date of the accepted provision. The log should be annually updated and placed at the end of the town bylaws.

Recommendation 5: Consider the Adoption of the Residential Exemption – MGL Ch 59 §5C

We recommend that the town consider the adoption of the residential exemption – MGL Ch 59 §5C. The current residential exemption law would allow Aquinnah to provide up to a 20 percent assessed value reduction to the principal residence of a taxpayer. This exemption is granted only to owner-occupied properties and does not affect the total tax burden paid by the residential class. Rather, it shifts the burden within the class from owner-occupied properties to apartments, investment property and second homes. As a result, absentee owners and some residents with high home values may pay more as the residential tax rate is higher than it would have been without the residential exemption.

Thirteen communities in the state currently use the residential exemption, and they tend to be communities with a large number of apartment buildings (Boston, Brookline and Chelsea) or second homes (Barnstable, Nantucket and Tisbury).

We encourage Aquinnah officials to consult with the BLA field representative to explore how the town might benefit from this exemption. A thorough analysis of the data would give the town information it needs to determine whether adopting MGL Ch 59 §5C is a good idea. We suggest that the town also contact the towns of Tisbury, Nantucket or Barnstable for assistance, for they have adopted the residential exemption.

Recommendation 6: Start Planning for the Impact of GASB 45

We recommend that the town begin to prepare for the impact of Statement 45 of the Government Accounting Standards Board (GASB 45): *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*. This new requirement will force all governments to report their outstanding Other Post-Employment Benefits (OPEB) liability. The largest OPEB component is the cost of retiree health care, which has been escalating at a double-digit rate. Once the liability is known, credit agencies will take notice if there is no plan in place to manage it. Although Aquinnah will not have to be in compliance with GASB 45 until FY10, there is much it can do to offset the impact now. (Please see the Technical Assistance Best Practices on OPEB at http://www.dls.state.ma.us/mdmstuf/Technical_Assistance/techassistance.htm.)

1) Adopt MGL Chapter 32B Section 18. The implementation of Ch 32B §18 by a municipality will require all eligible retirees to enroll in Medicare Part B. In its simplest terms, this section allows a community to shift a significant portion of its retiree health care costs to the federal Medicare program. The retiree sees no loss in benefits. Please see the Best Practices on the subject found on the Technical Assistance website: http://www.dls.state.ma.us/mdmstuf/Technical_Assistance/techassistance.htm.

2) Examine all current positions that receive health-care benefits. According to MGL Ch 32B §2(d), an “employee” eligible for health-care benefits is one that receives either a salary or stipend and works at least 20 hours per week. Paid elected officials, however, have no minimum hourly requirement to qualify. Once “vested” in the retirement system, that

employee is eligible for retirement benefits, including health care, at a significant cost to the municipality. Therefore, the town must consider the immediate cost, potential liability and the long-term impact of providing health insurance to current, part-time elected officials. Currently, four part-time elected officials receive health benefits, at a FY06 cost to the town of \$20,412.

Recommendation 7: Create a Capital Improvement Planning Committee

We recommend the selectmen act as the town Capital Improvement Planning Committee, and direct the town coordinator to draft a long-term capital plan for town government. As is typical in most communities, tight fiscal conditions often divert funding away from capital programs and in favor of other purposes. This is a miscalculation, for it is even more important to have and follow a long-term plan when finances are tight so that personnel needs and capital infrastructure are not ignored. Although restricted borrowing, or direct capital outlays, may only allow a minimal program, the review and prioritizing of town capital and technology needs should be on going. Therefore, we suggest that the town create a Capital Improvement Planning Committee, and in the short-term, appoint the three selectmen to jumpstart the program. They would then be responsible for the creation of a five-to-ten year capital plan for the town of Aquinnah. For more information, the town should consult Developing a Capital Improvements Program: A Manual for Massachusetts Communities, found at www.dls.state.ma.us/publics.htm.

We further recommend that the selectmen explore areas where revenue can be enhanced. Aquinnah, because of its resort location, has many areas where it could enhance revenues. Although this process has already begun with such construction projects as the Vanderhoop Homestead, we suggest that the town examine all town-owned land, buildings or waterways for possible revenue. This would include locations and prices for weddings and other parties, outdoor and indoor, leases on town-owned land, mooring and slip regulations and fees, and any other area that could help the town offset the cost of providing resort services to a transient population.

We recommend that the selectmen examine the long-term use of technology in town hall. The use of technology plays into the success of financial operations and should be a part of the governmental process. The rapid, reliable and smooth transfer of information and data between and among town offices is often critical to making effective decisions and to maintain the integrity of built-in financial checks and balances. We suggest that the town initiate a hardware evaluation and software study. It would focus on the current transfer of information between offices, the ability of current officers to utilize existing software, and the availability of any software packages or modules that would streamline operations. Among other areas, the study should focus on the treasurer's and accountant's software needs, the idea of bringing payroll in-house, the automation of record-keeping for sick and vacation leave, and any training required to get current staff to fully utilize technological advances. Any expenditure in this regard should be folded into an overall Capital Improvement Plan.

Recommendation 8: Schedule a Bylaw Review

We recommend that the selectmen begin discussions of a bylaw review. Municipalities typically review and update their bylaws and policies once every five or ten years. For Aquinnah, there are many areas where the bylaws could be expanded and where the town would benefit from a complete bylaw re-codification to create an underlying structure and locate areas of deficiencies. In addition to the “town coordinator” bylaw proposed in Recommendation 1, we suggest that the town, among other areas, specifically review the following areas:

- Chapter XXIII: Planning Board. All boards should have an odd number of voting members in order to make sure that a split vote does not occur. Currently, Aquinnah has six voting members on its Planning Board.
- Sections XXIV and XXV of Chapter XXV: Wetlands. These two sections are misplaced and should either be separate chapters (Section XXIV: Fire Alarms) or folded into Chapter XV on the Finance Committee (Section XXV: Finance Committee).
- A Budget Process. The annual budget is the primary statement of policies and priorities for the town and should be developed in accordance with an underlying process that remains the same no matter who is in office. Therefore, we suggest a process similar to the following be adopted either as a bylaw or policy:
 - The town coordinator should initiate the budget process by providing revenue projections to a joint meeting of the board of selectmen, finance and regional school committees. These estimates will serve as a basis for budget guidelines throughout the budget setting process and should be updated as new information becomes available.
 - The town coordinator should develop a balanced budget proposal. The accountant should enter the appropriation requests from town departments into the budget software. The town coordinator should then meet with department heads in order to discuss their needs. After updating the revenue estimates and making any changes to department requests, the town coordinator would prepare a balanced budget proposal for selectmen approval, which would then be forwarded to the finance committee.
 - The finance committee now controls the budget and can amend the town coordinator’s proposal in any way. They should review revenue estimates and meet with department heads, while considering the town finances objectively. The overall budget calendar should allow finalization of the budget in time to include appropriation detail in the town meeting warrant.
 - The town should formalize its budget calendar to reflect changes in the process. Beginning with the annual town meeting date in May and tracking backwards, the town can establish a budget schedule similar to the example below:
 - November 15** Town coordinator (TC) presents revenue projections.
 - December 1** TC distributes budget guidelines and requests to departments.
 - January 1** Department deadline to submit appropriation request.
 - February 15** TC completes hearings and creates draft budget.
 - March 1** Selectmen approve budget and submit to finance committee.

- April 15** Finance committee completes hearings and creates final budget; at this point, revenue projections are locked; warrant goes to print and is distributed.
- May** Town meeting votes on finance committee budget recommendations.

Recommendation 9: Adopt Debt and Reserve Policies

We recommend that the selectmen adopt debt and reserve policies. Aquinnah, in recent years, has had fluctuating free cash and a low stabilization fund balance. The town also has a history of using free cash, stabilization, and one-time aid for recurring expenses. To help re-establish fund balances and ensure sound practices, town officials need to implement a reserve policy that, among other things,

- 1) Identifies target levels and a funding source for the stabilization fund, free cash and other reserves in a total dollar amount or as a percentage of the total annual budget.
- 2) Directs the use of excess free cash, that is, the amount that exceeds the free cash target level, as a funding source for stabilization or as an outlay for one-time capital projects.
- 3) Restricts the use of unexpected, non-recurring revenues to non-recurring expenditures.
- 4) Restricts the use of stabilization funds to non-recurring expenditures and in an amount above a certain dollar threshold. Or, set limits on how much stabilization, or free cash can be used for operations, or other recurring expenses.

An effective debt policy should provide guidelines that, among other considerations:

- Specifies purposes for which long- and short-term borrowing will be permitted;
- Sets goals for the average maturity (i.e., less than ten years) of long-term debt;
- Sets limits on debt service payments as a percent of operating revenues (less debt exclusions, enterprise fund revenues, free cash, grants, transfers and non-recurring revenues); and
- Dedicates special assessment or betterment revenues to support long-term debt.

In considering factors that influence the town's credit rating and are within control of town management, policy makers should recognize that rating agencies (Moody's, Standard & Poor's, Fitch Investment Services) look positively on the following:

- Revenue forecasting and a community's ability to anticipate future events;
- Interim financial reporting and monitoring;
- Contingency planning policies (reserves);
- Policies on the use of non-recurring revenues;
- Debt management policies; and
- Long-term capital planning.

Assessors

The assessors' office is responsible for valuing all the town's real and personal property, assigning tax payments to owners, and generating the commitment authorizing the collector to collect real estate taxes, motor vehicle and boat excise payments.

To ensure that residents are taxed equitably and accurately, the office is required to maintain and update property records with information received in response to mailings, from deeds and through the on-site inspection of sale properties and properties where a building permit has been issued. Additional information is gathered during a cyclical inspection program. Upon resident application, assessors act on and track exemptions and abatements. They estimate new growth and conduct classification hearings. The assessors set the tax rate, recommend the annual overlay and provide levy information for use in the Tax Recap Sheet submitted to DOR. The office is also required by DOR to conduct an annual property value adjustment analysis and to prepare for State certification of property values every three years.

According to the FY06 Form LA-4, the volume of work in Aquinnah involves 830 real estate parcels, of which only ten are commercial, seven are Chapter 61 land, and 415 are vacant land. The remaining parcels are improved residential. There are an additional 339 personal property accounts, which reflects the high number of vacation homes in the town. All are billed on a quarterly basis. Over the course of one year, the office issues up to six motor vehicle commitments totaling approximately 500 accounts. With the exception of attaching the assessors' signatures to the commitment, processing of all motor vehicle bills is completed by the collector and her deputy collector. There is no boat excise tax program.

The town issues approximately twenty building permits per year, of which five or six normally are for new residential construction. Ten parcels were sold in 2004. FY2005 saw six abatement applications, of which three were granted, and an additional six exemptions were approved. There are no cases pending before the Appellate Tax Board.

The Aquinnah assessing department is under the guidance of a three-member, part-time board elected to three-year, staggered terms, which oversees the assessing clerk. The board meets sporadically to address issues that arise, but in its absence, the clerk has a signature stamp. Two of the assessors have been on the board since the 1980s, and the current chairman is in his second term. Despite repeated correspondence from DOR, the chairman has not completed the required Course 101 and is not recognized by DOR. Additionally, the chairman and another member of the board spend most of the off-season months outside of the Commonwealth.

The assessing clerk has been in Aquinnah town hall for about 30 years in various capacities including the town clerk, selectmen's secretary, and assessing clerk. She works 30 hours per week entering deed information, making building permit changes and keying other data into the office software. She interacts regularly with the collector concerning property ownership record changes and tax commitments. She communicates with taxpayers, the hired consultant (Vision Appraisal Technology) and the state Bureau of Local Assessment. The assessing clerk spends up to ten days a

year out in the field, but acknowledges that the hired consultant performs most data collection. In an unfortunate situation, common for Martha's Vineyard towns, the consultant's services are expensive, reflecting the remote location of the island. The software provided by Vision is sufficient for town needs. All information is stored on the assessors' computer hard drive, and is backed-up daily by the clerk.

Because most of the properties in Aquinnah are vacation homes, both the consultant and the assessing clerk have difficulty gaining access to properties. There are no sales inspections, the town does not send sales questionnaires nor Forms of List to owners of second homes. Maps were last updated in the late 1990s, and pictures of properties are dated or nonexistent. Despite the fact that the Martha's Vineyard Commission has provided Aquinnah with free GIS software with aerial and angle photographs, the assessors have not taken advantage of the new technology. A cursory examination of the printed maps suggests that there are a number of parcels not being reported to DOR as taxable or exempt. Additionally, town-owned exempt properties have property cards that are out of date, and the requirements of MGL Ch 59 §51 that all exempt land be assigned a value have not been met. These factors have contributed to concerns about the accuracy of property records as does the fact that the town has not performed a full field review since the mid-1990s, and has no inspection program in place.

Conclusion – Despite repeated recommendations from the Department of Revenue's Bureau of Local Assessment, the Aquinnah assessors continue to do the absolute minimum in order to generate a tax commitment year after year. To effectively maintain accurate records in order to equitably distribute the tax burden, an assessors' office must re-collect all property information at least once every nine years in a cyclical measure and list program; perform interim year adjustments; send out sales questionnaires and forms of list; perform sales and building permit inspections; and routinely update tax maps. The Aquinnah assessors perform none of these tasks regularly, and few of them sporadically.

Therefore, we strongly encourage the Aquinnah selectmen, assessors and town meeting to implement the following recommendations as soon as possible.

Recommendation 10: Appoint the Board of Assessors – MGL Ch 41 §1B

We recommend that the town convert the Board of Assessors to an appointed board, responsible to the Board of Selectmen. Assessing offices throughout Massachusetts vary in how the workload is assigned among the assessing board, in-house staff, and a possible outside consultant. Regardless of size, however, fundamental duties and responsibilities must be accounted for and carried-out effectively to ensure public confidence that taxation is consistent and equitable. In Aquinnah, present circumstances run counter to these purposes and prompt our recommendation favoring an appointed, rather than elected, board.

In Aquinnah, the assessing board chairman is not recognized by DOR because he has failed to complete *Course 101, Assessment Administration: Law, Procedures, Valuation*, the required course for all assessors established by 830 Code of Massachusetts Regulation (CMR) 58.3.1. DOR

has not accepted any paperwork containing his signature since February 19, 2003. It is also our understanding that during most of the winter, he is off-island. One of the remaining two assessors, each of which has at least 20 years on the board, is frequently off-island during the off-season as well.

These prolonged absences have created the situation where the board members meet sporadically, if at all, and by necessity, have caused them to assign many of their duties to the assessing clerk, who lacks requisite qualifications and the job description to make decisions on their behalf. The lack of consistent oversight by the entire board has also led directly to other recommendations we make in this report section.

For their efforts, each board member is paid a yearly stipend of \$800 and takes advantage of the town's health insurance program at a FY06 total cost to the town of \$14,832.

For these reasons we recommend that the town move to an appointed, volunteer board of assessors to be certain in advance that those chosen to serve will have the time, interest and energy to fulfill the responsibilities of the job.

Ultimately, the town should draw on its own experience. Aquinnah has recently discovered the financial maelstrom that can be caused by an elected officers' failure to demonstrate the professional skills necessary to do the job. The town financial team has had to work very hard to right the books in the wake of the former two treasurers. In order to prevent the recurrence of this situation, the selectmen proposed and town meeting accepted the conversion of the treasurer (and collector) to appointed positions. We suggest that the town learn from the mistakes made in the treasurer's office before it becomes a problem in the assessors' office.

Recommendation 11: Determine and Maintain a Fair Cash Valuation of all Taxable and Exempt Property – MGL Ch 59 §§2A, 38, 51¹

We recommend that the town create and execute an action plan to determine the fair cash value of all property within the Town of Aquinnah. This effort requires the participation and cooperation, in one way or another, from the board of assessors, the assessors' consultant, the assessing clerk, the town coordinator and the board of selectmen. The following steps will lead to the completion of fundamental office responsibilities that will allow the assessing office to determine and maintain accurate and fair valuations of all taxable and exempt property in Aquinnah. For further reference and detailed explanations, see Guidelines for Development of a Minimum Reassessment Program, found at www.dls.state.ma.us/bla/pdfs/minguide.pdf.

- 1) *Perform a full reconciliation of all maps, deeds and tax rolls.* Considering that a cursory examination of the printed maps suggests that there are a number of parcels not being reported to DOR as either taxable or exempt, it is vital that the assessors perform a first-step reconciliation of all existing information. We suggest that they take advantage of

¹ Most of these recommendations have already been made to the Board of Assessors by the Bureau of Local Assessment after the FY2002 and FY2005 revaluations.

available technology, including the aerial photographs provided by the Martha's Vineyard Commission, in order to determine that all taxable property is being taxed.

- 2) *Re-collect all real and personal property data, including exempt property.* MGL Ch 59 §§2A, 38 dictates that the assessors must determine the value of all real and personal property within the municipality on a fair cash value basis. MGL Ch 59 §51 states that the community must have a value for all exempt property. We suggest that the assessing team pull maps, deeds, commitment lists, and property records and immediately start reconciling all information with the reality out in the field, including all parcels that may have been previously unmapped and unrecorded. Once all data is collected and property values are assigned, all maps, deeds and any other hard data must be corrected and maintained in the Vision software program.
- 3) *Create a cyclical inspection program.* Once a complete re-collection of all property data is finished, the assessors have to create a cyclical inspection program. Maintenance of current and accurate property inventory data is a critical element in the development of uniform, fair market values. Therefore, an ongoing measure and list program must be implemented so that every parcel is reviewed at least once every nine years. Sales, building permit, and fire inspections offer opportune times to visit properties as part of this program.
- 4) *Send out sales questionnaires and inspect all sales and building permit properties.* Property sold in a town is critical to the determination of market value for all parcels in town. If there are any errors in the data, the mistakes will be widespread. Therefore, the assessors must monitor property sales and send out sales questionnaires to determine if changes in market conditions warrant corresponding annual adjustments to property values. If there are not enough sales in one year to do sales stratifications, the assessors should consult sales data with neighboring towns. New Growth estimates depend on building permit inspections. Any change to a property that can raise or lower its value must be inspected and valued. Both kinds of inspections, as well as fire inspections, offer an opportunity to perform the cyclical inspection for that parcel.
- 5) *Utilize new technology in order to maintain tax maps and further clarify the valuation process.* New technology is now available even to the smallest towns in the Commonwealth. GIS mapping software, digital photography, computer assisted design (CAD) files utilized for architectural and construction plans, and even electronic tape measures can all be used to expedite and improve the data collection process. The software provided by Vision is compatible with all new advances in technology, and those with assessing responsibilities should know how to utilize all systems.
- 6) *Implement interim year adjustments.* It is expected that all communities will carefully review and adjust property values as needed to reflect changes in the market conditions. If there has been a market change, assessors are required to undertake an interim year valuation adjustment program. The program must use appropriate appraisal methods and should result in equitable and consistent values within and between all property classes. Documentation to support any changes must be prepared and retained by the assessors. An additional annual form – “Adjustments of Valuations Between Certifications” – must now be submitted to the BLA before, or with, the Form LA-4. This type of review is imperative for Aquinnah, a town with a history of escalating property values.

Recommendation 12: Activate Role in Excise Commitments – MGL Ch 60A & 60B

The assessors must assess an annual boat excise in compliance with MGL Chapter 60B (IGR 04-211). Annually, motorized boat owners register their watercraft with the Executive Office of Environmental Affairs' Registration and Titling Division. As a part of this application, the owner must declare the principal mooring or location as of July 1. This information is compiled and distributed to communities annually (via printout or CD-ROM) for boat excise purposes. In addition, Aquinnah has a harbormaster that patrols the waterways and issues mooring permits. For every mooring, the harbormaster obtains boat information through a mooring application form (e.g., owner name and address and boat size). The combination of these two sources of information are sufficient to comply with MGL Chapter 60B, the statute imposing excise on boats, ships and vessels. This is not an optional assessment.

We further recommend that the assessors take an active role in the administration of the motor vehicle excise program (MGL Chapter 60A, IGR 04-210). Currently, the collector, in consultation with the deputy collector, administers the motor vehicle excise program. The RMV sends the deputy collector the list of vehicles registered in Aquinnah, and he converts the information onto a Vadar format, the collection software used by Aquinnah. He then sends both the electronic commitment and the printed bills to the collector who has the assessors sign the commitment, goes through the list to pull all exempt vehicles, then stuffs and sends the bills. Legally, the assessors' office is charged with generating the commitment. Even though the assessors sign the commitment, there is not sufficient separation between the commitment and collection processes to satisfy checks and balances. As always, it is inappropriate to have the same office generating the commitment that is also collecting the payments. The assessors' office should take over the entire process up to the point where the bills are stuffed, sent, and payments are collected.

Accountant

The accountant has a legal obligation to record and verify all financial activity of a municipality. Through the maintenance of independent records and by following well-defined procedures, the office documents the flow of money into and out of municipal accounts and plays a role in the system of checks and balances established by statute to monitor and protect local assets. To fulfill this responsibility, the office maintains a general ledger where receipts, expenditures and all other town financial activity is recorded; prepares warrants; reconciles cash and debt with the treasurer and receivables with the collector monthly; produces a monthly expenditure report; and reports annually on the town's liability for accrued sick leave and vacation time. The accountant also keeps all town contracts on file, tracks revenue, and is typically involved in the annual budget process.

Among required submissions to DOR, the accountant is responsible for producing the town's annual Schedule A by October 31 and its year-end balance sheet (for free cash certification). Finally, the accountant works with the assessors and town clerk in the preparation of the town's Tax Recap Sheet.

The Aquinnah accountant has been in the position for about twenty years, but has also served as the Board of Selectmen's secretary at various times throughout her tenure. Currently, she works 30 hours per week, performing the required duties of the accountant's office. She has used a software package provided by Business Management Systems, Inc. (BMSI) since fiscal year 2000, which includes a general ledger, accounts payable, treasurer's receipts and budget modules. The software is kept on the server in the treasurer/collector's office, which is automatically backed-up to a remote site on a nightly basis.

Over the years, the accountant's workload has varied. Currently, she organizes biweekly payroll for the payroll vendor, Seaside Systems; generates a vendor warrant weekly or biweekly depending on the number of bills; prints checks; creates the check register; maintains the general ledger, and keeps all town contracts. As part of the vendor warrant process, she reviews invoices before approving payment. There is no centralized way to account for sick and vacation time, so the management thereof has been left to department heads, with varying degrees of success. As accountant, she is an ex-officio member of the finance committee and helps when asked with the budget process.

Until recently, reconciling the general ledger with the collector's receivables record or the treasurer's cash balances was an annual process, when it happened at all. The result has been perennial delays in the submission of both the Balance Sheet and the Schedule A to DOR. Because the Balance Sheet is necessary to the certification of Free Cash, the town frequently had delayed access to a potential funding source.

The accountant's role today, though, is vastly different from in the past. The new, expanded responsibilities of the Administrator to the Board of Selectmen now includes having charge of procurement policies. A more consistently involved Finance Committee has taken on a substantive

role in the budget process. Appointing and combining the office of treasurer with that of the collector has created stability in treasurer's function. Cash is now reconciled, and the general backlog and frustration between financial offices has eased.

Throughout the ten-year upheaval in the treasurer's office, the accountant filled a leadership vacuum and took on many additional responsibilities. In short, she monitored financial operations to ensure that, at least fiscally, the town continued to function. This was a valuable service, but included aspects beyond the traditional role of a town accountant. Changes that have occurred since have led to clearer, more traditional allocation of responsibilities among town officers. In this context, the accountant should look to rethink her priorities in town hall.

Conclusion – Longevity in office and town hall gives the accountant a valuable understanding of Aquinnah and how it operates. As a result, the office, for the most part, fulfills fundamental responsibilities relative to the general ledger and the payroll and vendor warrant process. However, there are inexplicable delays in basic areas, questions concerning appropriate action taken relative to payroll and payment of bills, failed reconciliations, difficulty with computer software, and overly complicated processing procedures.

Our recommendations focus on helping the accountant prioritize her workload, streamline processing procedures, and perform the necessary duties in order to submit required paperwork to DOR on time.

Recommendation 13: Schedule Reconciliations with the Treasurer/Collector

We recommend that the accountant schedule a day each month with the treasurer/collector for reconciliations of cash and receivables. The initiative to reconcile the town's cash and receivables should originate with the accountant in order to verify balances in the general ledger. Individual, internal reconciliations by the treasurer/collector do not satisfy DOR requirements until they are measured against the accountant's general ledger and adjusted for any necessary variances. The accountant should reach agreement with the treasurer/collector on a specific day each month when they will meet to complete reconciliations. Each should complete an internal reconciliation in advance of the monthly meetings.

Recommendation 14: Prepare for Timely Submissions to DOR

We recommend that the accountant complete preparation of the balance sheet earlier in the fiscal year. When the balance sheet is delayed, so is the town's certification of free cash by DOR, as well as the outside audit. Without a clean audit for review by credit rating agencies and other financial institutions, the town's ability to borrow is hampered. Also, because the budget process should begin in the fall with revenue projections, the reliability and accuracy of those projections will increase if free cash is certain. Above all, it is just good practice to close the town's books and submit a balance sheet no later than September 15, which is consistent with DOR recommendations.

Except for the most recent year, in which the entire financial team made an enormous effort to complete the balance sheet in February, the last four years have seen free cash certified by DOR

in April, May or June. In at least one of those years, free cash was certified only one day before town meeting, where it was appropriated. For the fiscal year ending June 30, 2003, a late balance sheet delayed completion of the draft audit until August 2004. The accountant must identify what prevents completion of the balance sheet and act to resolve issues.

We further recommend that the accountant prepare for the Schedule A submission by keeping up-to-date with her records throughout the fiscal year. The Schedule A is a year-end statement of a municipality's actual revenues, expenditures, changes in fund balance and certain other financial information. It is a required report that must be submitted annually to DOR by October 31. In recent years, the Schedule A format has been simplified by combining the financial information and reducing the number of reporting categories. The town accountant typically extracts data from the financial management software to complete the report.

If a Schedule A is not received by mid-March, the state will withhold third quarter state-aid payments to the municipality. Aquinnah does not rely on state aid, and therefore has not faced tremendous difficulty when those payments were withheld (as in two out of the last four years). To fulfill this responsibility by October 31, we therefore encourage the accountant to manage her time and maintain up-to-date financial records. We would also suggest exploring whether the BMSI software has the capability, as many general ledger packages do, to organize and combine financial data into the Schedule A format.

Recommendation 15: Reconcile Debt with the Treasurer/Collector

We further recommend that the accountant reconcile debt with the collector/treasurer annually. Under MGL Ch 41 §57, the accountant must keep a detailed record of all town debt. The accountant needs to maintain her own debt record detailing the purpose and date of borrowing, the rate of interest and provisions for payment. Additional information might include the amount of the original authorization and maturity date of the debt issued. The accountant, treasurer/collector, and town clerk should confer after each town meeting to verify action taken relative to debt authorizations. At least once during the fiscal year, and more often if the town continues to have more than four town meetings annually, the accountant and treasurer/collector should meet and reconcile debt activity so that, at year's end, all reports of that activity match and accurately reflect the town's debt position.

Recommendation 16: Streamline Accounts Payable (AP) Process

We recommend that the accountant rework the AP process in order to reduce both the time and paper currently involved. Right now, the accountant will only accept invoices that have been approved by the elected official who oversees the department that incurred the expense. She then inputs the information into the AP module of her software, generates a weekly (or biweekly) vendor warrant, produces a check register and prints checks. It is our understanding that, at times, she modifies the payment request according to her own knowledge of whether or not the bill reflects a recent payment.

A single warrant, with all original invoices, printed checks and check register attached, goes to the selectmen for approval, then to the treasurer for payment. Even though vendor account and bill numbers are pre-printed on the checks, the treasurer is directed to burst and stuff payment coupons with the checks into the envelope provided by the vendor. A complicated organizing process follows before all invoices are returned with the relevant warrant to the accountant's office.

We offer two recommendations:

1) Once money is appropriated, department heads have authority to spend their budgets, without having to seek the permission of the elected (or appointed) official that oversees them (MGL Ch 41 §56). Therefore, invoices from the police chief, fire chief, town coordinator etc. do not need the selectmen's signatures in addition to that of the department head. Once the warrant is prepared, the selectmen review it when they sign it, so there is oversight from the selectmen at the end of the process.

2) We recommend that all original invoices and backup documentation received from department heads for payment remain with the accountant during the warrant approval process. Typically, town accountants prepare two copies of the vendor warrant for selectmen approval. One signed copy would be forwarded to the treasurer with the unsigned checks and check register, while the other would be returned to the accountant who may or may not note the warrant number on invoices, and then file the invoices by vendor and separately file the warrant. The treasurer verifies that the printed checks match the warrant authorization, signs the checks and sends them to the vendor using town envelopes. As long as the vendor's invoice number or account number appears on the check, there is no need to use either the bill payment coupons or the return envelopes. As a result, the risk of original documents getting lost or damaged is avoided, the selectmen's ability to question and approve payments is not diminished and the treasurer is relieved of unnecessary work.

Town Treasurer/Tax Collector

A municipality's tax collector possesses the authority to collect real and personal property taxes, excises, betterments and certain other charges added to and committed as taxes. If a town accepts MGL Ch 41 §38A, the position becomes a town collector, which then has the authority to collect all monies due to the community. In either case, collections need to be counted, posted to taxpayer accounts, and either turned over to the treasurer or deposited daily. Delinquent accounts need to be pursued and then moved efficiently into the treasurer's tax title accounts. To be successful, a collector must maintain an up-to-date receivable control that is reconciled internally and then externally with the accountant monthly. Refund reports should be run periodically and research needs to be completed to confirm legitimate refunds due to residents. In accordance with state law, the office should respond to requests for municipal lien certificates within twenty days.²

The treasurer is a community's cash manager and, as such, has custody of all municipal money. Included is the responsibility to make certain that town receipts are deposited into appropriate bank accounts and to monitor balances to ensure that sufficient funds are available to cover town obligations as they become due. The treasurer invests town funds to maximize interest income and meet cash flow needs. The office also manages town debt. To fulfill these responsibilities, the treasurer maintains a cashbook, debt schedule, check registers, and various logs to track balances for grants, trusts and revolving funds as well as other special revenue funds. As a financial control, the treasurer is obligated to reconcile cash balances and debt, internally, and then externally with the accountant on a regular basis. Finally, the treasurer maintains tax title accounts, organizes land of low value auctions, and forecloses on delinquent accounts.

Aquinnah combined the functions of its treasurer and collector's office at the same time it voted to have the position be appointed, in May 2005, as a direct result of the elected treasurer's failure to perform. The positions, currently held by the same person, will officially shift from separate and elected to combined and appointed in May 2006. The current treasurer/collector has been the town's collector for over 10 years. She is budgeted for 30 hours per week, and often finds herself staying longer. She took over treasurer's duties in November 2004, and promptly hired a retired treasurer from a neighboring town as a consultant to help get the office in order and to serve in a support capacity. The consultant averages about 10 hours per week.

The small office is well served by technology. There is a computer for both the collections and the treasury. The town has contracted with VADAR®Systems (Vadar) for real estate, personal property and motor vehicle excise collections as well as tax title. Software for treasurer's receipts is provided by the accountant's package, BMSI, which according to the treasurer/collector has a patchy performance record in Aquinnah. The office has used Vadar for tax title for years, and successfully made the transition to Vadar for collections at the beginning of FY06. All real estate

² Towns with a population larger than 5,000 people must respond to municipal lien certificates within ten days (MGL Ch 60 §23).

and personal property bills are printed, stuffed and mailed in-house. A deputy collector is contracted for printing motor vehicle excise bills, which are then stuffed and mailed from the collector's office, and for more typical services concerning the pursuit of delinquent motor vehicle excise accounts.

The office collects taxes for approximately 830 real estate parcels and 340 personal property accounts on a quarterly basis. About 90% of payments are received by mail, with the rest coming over-the-counter. Approximately 20% are paid by escrow services. Up to six commitments totaling about 500 motor vehicle excise bills are also sent annually. Because priorities are placed elsewhere, payments may not be deposited or posted for up to two weeks after receipt. The town contracted with Unibank for online payments of real estate and personal property taxes effective in FY06, which should help this situation. The treasurer/collector's main focus has been the collection of past-due accounts. She recently completed a labor-intensive effort to bring accounts from 1971 up-to-date. As a result, all outstanding receivables have now been turned over to tax title.

Until the collector took over the duties of the treasurer in November 2004, town treasurer duties and responsibilities were, for the most part, not completed. Since then, the treasurer/collector has established and maintained a cashbook, monitored accounts appropriately and invested town funds. Nearing completion is work by the treasurer's consultant to reconcile monthly cash balances, which had been routinely ignored in the past. Attention is also focused on setting up tax title accounts. To date, seventy-six accounts totaling just under \$950,000 have been computerized, and the treasurer is initiating plans to turn the largest accounts over to the tax title attorney for foreclosure proceedings. The treasurer/collector's office has taken over benefits administration, and in that regard has shifted the town to a more suitable health insurance program. The town has a small amount of long-term debt, and may, in the future, acquire more, which should prompt the creation of a debt schedule and greater interest in the municipal bond markets.

Conclusion – The focus of the current treasurer/collector and her consultant has been on bringing the office up-to-date in terms of tax collections, tax title, cash reconciliations and cash management. The day-to-day functioning of the office will soon reach the point where the treasurer/collector can perform her duties with a forward-looking perspective. To that end, the following recommendations are designed to help her as she continues to create a professional collections and treasury operation.

Recommendation 17: Stay Current with the Posting and Deposit of Collections

We recommend that the treasurer/collector post and deposit payments within two days of receipt. Because of the heavy backlog of work that the treasurer/collector faced upon taking on the duties of treasurer, the posting and deposit of collections has lagged. MGL Ch 60 §2 directs that every collector must, once each week or more often, pay over to the treasurer all money received for taxes and interest during the preceding week, or lesser period. Of particular concern is that every day that the deposit of receipts is delayed, interest income is lost. Therefore, the office must make the posting and deposit of collections a priority.

We suggest that the treasurer/collector contact Vadar about the possibility of bar-coding bills and establishing scanning wand capability. This should simplify and speed-up the process of posting receipts. As a check and balance, a batch report of the payments posted to the software would be compared to the tape run on all checks in preparation for deposit. On reconciliation of the two totals, the receipts should be deposited within a day or so.

The treasurer/collector should organize her time so that she is not interrupted during this process. Closing her door for a few hours, a few times a week may become necessary. It would be understood that during these periods, she would not be able to serve the public or be approached by town hall staff.

Recommendation 18: Commit to Monthly Reconciliations with the Accountant

We recommend that the treasurer/collector commit to a monthly meeting with the accountant to reconcile cash and receivables. Normally, as part of the reconciliation process, the accountant would provide the treasurer/collector with monthly reports of receivables and cash balances as reflected in the general ledger. The treasurer/collector then reconciles the receivable report against her source documents and the cash balances against her records, and informs the accountant of any discrepancies. In the past, the quarterly reconciliation of receivables between the collector and the accountant has been ongoing. However, the prior treasurer was not regularly reconciling cash.

Reconciliations reflect an important check and balance and are a fundamental responsibility for each office. Therefore, we strongly encourage the treasurer/collector (with her receivable control, cashbook and source documents) to sit down with the accountant (with her general ledger and source documents) on a predetermined day each month in order to work through the reconciliation together. This way, if errors are discovered, they can easily be rectified.

Recommendation 19: Resolve Outstanding Tax Title Receivables

We recommend that the treasurer/collector initiate a program to reduce tax title accounts. As of January 25, 2006, tax title accounts numbered 76 properties with a total outstanding balance due the town of \$947,768. Of that total, twenty-two properties account for \$706,919, or 75% of the taxes due, while \$345,833 can be attributed to only nine properties.

When preparing her budget, the treasurer should request an appropriation for the legal costs to move tax title properties through Land Court. In the absence of an appropriation, she must report the amount needed to the assessors so that it can be raised through the Tax Recap Sheet. (See DLS Bulletin, Budgeting for Expense of Tax Title and Foreclosure, January 1999 at www.dls.state.ma.us). As part of a tax title program, she should communicate with taxpayers prior to important dates. For instance, letters should be sent informing delinquent owners of her intent to file a petition for foreclosure in Land Court which leads to selling the property at auction to recover back taxes.

The initial thrust of the program should target the nine accounts that represent \$345,833 in taxes due. The remaining accounts should be organized into groupings based on land of low value, parcels under single ownership, accounts with bad addresses and deceased property owners, existing partial payment agreements and all remaining accounts. She should then tailor a program to pursue each group by the most efficient means available. Once delinquent property owners have evidence of the town's seriousness to pursue back taxes, collections should improve.

Recommendation 20: Create and Maintain a Debt and Debt Service Schedule

We recommend that the treasurer create and maintain a debt record and debt service schedule on Excel spreadsheets. The treasurer has statutory obligations to report annually to the town accountant and periodically to the State Bureau of Accounts (BOA) information relative to the issuance and payment of debt. Therefore, she needs to create and maintain her own schedules in accordance with the following guidelines:

Debt Service/Long-Term. A projection of principle and interest payments, carried to the longest term outstanding, should be maintained and updated annually. This chart should identify the date of issue, the purpose of the bonds and whether or not payments are self-supporting (covered by rates or by taxes). As the chart extends left-to-right into the future, it would display overall principle and interest obligations by year, and when debt service begins or ends for individual projects.

Debt Service/Monthly. The treasurer should maintain a similar chart of debt service obligations on a per month basis for the current fiscal year. Used in tandem with monthly revenue and expenditure estimates, this information is important to forecasting the cash flow needs of the town through the course of the year.

Debt Schedule (also referred to as the "Statement of Indebtedness"). The debt schedule would be a list of long-term debt by project inside the debt limit, the same for outside the limit and of short-term debt (by type and project). For each project listed, the chart would show the amount outstanding as of July 1, additional amounts issued during the fiscal year, amounts retired, outstanding balance as of June 30, and the total interest paid during the fiscal year. A final chart entitled "Authorized and Unissued Debt" would include the date of the authorizing vote, the town meeting article number, purpose, amount authorized, amounts issued or retired, and the remaining unissued amount as of June 30.

Although the town clerk has a statutory obligation to certify to the assessors and the accountant any town meeting order or vote appropriating money (MGL Ch 41 §15A), the treasurer should take the initiative to meet with the clerk as well. She should also communicate with department heads to learn when capital projects are likely to begin (i.e., to learn when she will need to provide financing). She should review her file of notes outstanding and look to the town's most recent prospectus for additional information. Finally, the treasurer should reconcile her debt records with the accountant to ensure that their debt statements agree.

Relationship Between the Town and the Tribe

The Wampanoag Tribe of Gay Head (Aquinnah) can trace its history on the island of Martha's Vineyard back to the time when Native Americans, following the glacial retreat some 10,000 years ago, originally settled the land. By the 1700s, Europeans had joined them on the island, and the tribal population formed a nexus on the western tip of the island, in what is now the town of Aquinnah. Although, for the most part, the descendents of the original Native Americans have lived peacefully with the relative newcomers, that relationship in recent years has become difficult.

In 1983, the town and the tribe signed a Land-Use Settlement Agreement. In this, the Tribal Land Corporation, a subsidiary of the Wampanoag Tribal Council of Gay Head, acquired approximately 238 acres of Town Common Lands, 175 acres of what was known as the Strock Estate, and the rights to use the so-called Cook Lands for various purposes. All land acquired by the Tribal Land Corporation, except for the Cook Lands, would be known as the Settlement Lands and be tax-exempt, but structures still would be "subject to all Federal, State and local laws, including Town zoning laws, State and Federal conservation laws, and the regulations of the Martha's Vineyard Commission..." among other requirements. Structures built on the Cook Lands would be subject to property taxation, and any structures built on the former Strock Estate, now the Tribal Headquarters, would be subject to payment-in-lieu-of-taxes (PILOTs) by the tribe.

The 1987 Settlement Act with the federal government soon followed the 1983 Settlement Agreement. In it, the newly federally-recognized Wampanoag Tribe of Gay Head (Aquinnah), was granted full sovereignty over the Settlement Lands. In 1993, the tribe broke ground on its headquarters, and a full housing project was approved by the town and built soon thereafter. Beginning in FY97, the Tribal Housing Authority began paying the town 10% of rents received, as stipulated by the federal grant program that governs the housing development. However, no PILOT program was initiated on the other structures built, as stipulated in the Settlement Agreement.

In 1995, the town and the tribe developed a Public Safety Agreement. In the agreement, the tribe agreed to pay the town a yearly stipend to pay for town services starting in Fiscal Year 1995 and the town agreed to make their police, fire and other emergency services available to the tribe. The stipend was paid for FY95, 96 and 97, again in FY00, FY04 and FY06. The amount of the payment has changed over the years, in accordance to annual agreements reached between the parties. The town never failed to make these services available to the tribe during the years of non-payment. In the spring of 2004, the tribe donated an ambulance to the town in lieu of payment for the years missed. Town meeting voted to accept the ambulance as a gift, and the payment process has been moving smoothly ever since.

In 2001, the town and tribe interest came into dispute when the tribe built a shed on the Cook Lands without obtaining a building permit from the town. Because the 1983 Settlement Agreement stipulated that the tribe would remain in compliance with all local laws, and the tribe had always applied for a building permit for any projects on tribal land in the past, the town brought

suit. The town lost the case, and chose not to appeal. However, a local taxpayers group, the Aquinnah/Gay Head Community Association and an abutter, the Benton Family Trust, chose to appeal. The Massachusetts Attorney General later intervened in the case, and the Martha's Vineyard Commission and the towns of West Tisbury and Chilmark also filed friend of the court briefs. In December 2004, the Massachusetts Supreme Judicial Court (SJC) ruled that the Wampanoag Tribe had waived its sovereign immunity in the 1983 Settlement Agreement. The tribe chose not to appeal the case to the U.S. Supreme Court. This court case created an era of mistrust and contentiousness between the two groups that has yet to be fully resolved.

The Department of Revenue arrived in Aquinnah in November 2005 as outside observers of the town financial management structure and practices. We immediately noted two aspects of the relationship with the tribe that has affected town finances. 1) The assessors' office has no data on the tribal lands; therefore it is difficult to develop a meaningful PILOT program for the non-housing structures built on tribal land, as agreed in the 1983 Settlement Agreement. 2) Thirty out of the fifty Aquinnah children currently enrolled in the Martha's Vineyard Regional School system live on land that is tax-exempt, thereby creating a situation where Aquinnah taxpayers (whether they are tribal members or not) are paying higher taxes to cover those education costs. These two issues raise questions concerning equitable taxation, responsible government leadership, and the ability or desire for the parties involved to abide by the terms of agreements originally made in good faith.

DOR understands that these are all politically charged issues, and both governments, tribal and town, are working diligently to find common ground. However, the tribe focuses on the needs of its members, while the town is responsible for all citizens of Aquinnah, tribal or not, taxpayer or not. Although the tribal lands belong to a sovereign nation, those who live on those lands are still citizens of the town of Aquinnah and have entered into two binding agreements with the town.

Therefore, the following suggestions are designed to increase communication between the two parties in an effort to move the conversation forward. It appears to us that the issues affecting the finances of the town involve the basic, everyday problem of providing adequate services to a unique citizen population. They are essentially monetary issues, and as long as they are ignored, tension and emotion will likely continue to confuse the collaborative process in Aquinnah. As the focus continues to remain on the problems that have made headlines in the last five years and not on finding the solution to the fair allocation of payment for island and town expenses by those who benefit, the discussion will remain murky.

Recommendation 21: Create a Committee to Facilitate Communication Between the Town and the Tribe

We recommend that the Board of Selectmen appoint a committee to facilitate communication between the town and the tribe. Currently, there is a discussion in Aquinnah concerning a new land-use agreement between the town and the tribe, a result of the contentious litigation. Although we applaud the new levels of communication, we suggest that the focus could be shifted. The town already has a land-use agreement, dated 1983, recently upheld in court, and a

1995 Public Safety Agreement, with the tribe. What the town does not have is a practical agreement on how agreed-upon PILOT payments are reached, and a funding mechanism for educating children who live on tribal land and attend the public school system.

We suggest that the town fold the committee created by the Public Safety Agreement into a new oversight committee. The members should include three people from a taxpayer perspective and three people from a tribal perspective, all chosen for their knowledge and even-handed approach to problem solving. The committee will act in a similar way to legislative conference committees. The committee's immediate concerns are twofold: 1) iron out details on the implementation of the Public Safety and PILOT payments; and 2) explore outside revenue sources to offset the cost of educating tribal children.

Both the 1983 Settlement Agreement and the 1995 Public Safety Agreement state that the tribe will pay the town PILOTs for new construction and a stipend for public safety services rendered. Neither agreement lays out an equation or other mechanism in order to determine the amount of the payments. Many intergovernmental agreements are based on property value or a percentage of the cost of services received. The committee needs to determine a transparent payment structure that is amenable to both parties of the two agreements, and understandable to the citizens of the town.

Once the payment structure is determined, agreed upon and implemented, the committee must then begin to explore outside revenue sources to offset the cost of educating tribal children. Currently, Aquinnah has thirty students in the local elementary school system and twenty students at the high school. Twenty-two of the thirty, and eight of the twenty live on tax-exempt land. The cost to educate these students represents approximately 63% of the \$860,108 Aquinnah education budget for fiscal year 2006. The Martha's Vineyard school system recently applied for Federal Impact Aid on Aquinnah's behalf, and will receive about \$11,000; a figure that helps pay the cost for about one half of one student in the Martha's Vineyard school system.

The State Department of Education has a Foundation Reserve (commonly known as the "pothole" program – line-item 7061-0011 in the state budget), which is sometimes available as one-time, non-recurring aid. The state legislature funded the program in FY04, 05, and 06, but not in FY02 or 03, and the Governor's budget for FY07 has no money appropriated for the Foundation Reserve. However, should it be funded in the future, the committee should approach the Aquinnah State Representative and Senator concerning this program as well as a long-term solution for the funding of students living on tribal land.

Specifically, there is language in the Foundation Reserve appropriation for FY06 that addresses the specific problem of "municipalities negatively impacted by shortfalls in federal impact aid for the education of children in families employed by the federal government on military reservations located within the town's limits...." We encourage the committee to not only seek expansion of this definition to include those students living on tribal reservations for any future Foundation Reserve Programs, but also to work with the legislative team towards a permanent solution.

Island-wide Cooperation and Collaboration

When the Aquinnah selectmen invited the Department of Revenue into town hall, we took the opportunity to examine areas where the town may find greater efficiency and effectiveness within its financial offices. Expanding that process, we looked for ways that Martha’s Vineyard towns might combine services to achieve the same purposes.

The Island of Martha’s Vineyard is made up of six towns, commonly split into two categories: down-island (Tisbury, Oak Bluffs and Edgartown) and up-island (West Tisbury, Chilmark, and Aquinnah). Approximately 15,500 people populate the total land area of 90 square miles year-round. Each town has a separate government structure, with a board of selectmen, board of assessors, finance department, fire department, police department and all of the other functions required of municipal government. In addition, the island constitutes the majority of the County of Dukes County (Gosnold is the seventh and final town in the county), which has a Sheriff’s department, oversees the Airport Commission, and runs the pension program, among other duties. Also existing is the Martha’s Vineyard Commission (MVC), a land-use planning authority that maintains a regional perspective to development on the island. The six towns also support the Martha’s Vineyard Regional High School, the three up-island towns support the Up-Island School district, and each of the down-island towns has its own elementary school. Island-wide, approximately \$83 million was budgeted for FY2005. In comparison to the statewide average of \$2,800 being budgeted per person, Martha’s Vineyard averages \$5,400 per person.³

To further the investigation, DOR requested information and financial data from all six towns on the island as well as various other towns on the South Shore and the Cape for comparison purposes. Compiling this data, it became clear that the towns of Martha’s Vineyard collectively have similar attributes to some of the larger towns in the geographic area.

Town	2004 Population (US Census Estimated)	Land SQ miles	2004 EQV (DOR calculated total relative property wealth)	2005 Parcel Count	FY2005 Total Budget	FY2005 Budget per capita	FY2005 Budget per parcel
Falmouth	33,806	44	\$9,104,210,400	23,701	\$96,091,491	\$2,842	\$4,054
Nantucket	10,124	48	\$13,575,803,900	10,522	\$80,145,220	\$7,916	\$7,617
Barnstable	48,535	60	\$11,747,239,700	27,599	\$122,989,323	\$2,534	\$4,456
Dartmouth	31,317	62	\$4,308,944,400	13,406	\$63,483,496	\$2,027	\$4,735
Middleborough	21,121	70	\$1,965,218,300	8,961	\$56,002,146	\$2,651	\$6,250
Martha's Vineyard	15,582	90	\$13,943,608,300	19,632	\$83,725,298	\$5,373	\$4,265
Plymouth	54,604	96	\$7,531,137,000	24,218	\$142,372,296	\$2,607	\$5,879

In this context, we see multiple areas for potential collaboration. However, because communities statewide have become more reliant than ever on their property tax base, we directed our initial focus to the assessing function. To help cities and towns work within the constraints of budgetary cycles and to ease the fact that assessing administration is an increasingly complex function, the legislature enacted MGL Ch 41 §30B. Under the statute, towns are able to partner and

³ These budgets were determined using the figure “Total Amount to be Raised” from the Tax Recap sheet.

create a cooperative assessing program in order to pool financial resources. The partnership could then hire a principal assessor with the qualifications and abilities that one small town alone might not be able to afford.

DOR has developed guidelines for communities interested in cooperative assessing (IGR 81-402, found at <http://www.dls.state.ma.us/PUBL/IGR/1981/81-402.PDF>). One of the goals of these guidelines is the maintenance of local autonomy over policy and decision-making by each community's board of assessors. In order to implement the program, a formal agreement must be drawn-up, voted on by the legislative bodies in each of the municipalities and approved by the Commissioner of Revenue. Important personnel aspects that must be defined in the agreement include qualifications, duties, responsibilities, supervision and evaluation of the principal assessor. In addition, the agreement should specify the sponsoring or host community, allocate salary and expenses and specify the duration and method of amending the program.

There are obvious financial benefits to communities that divide the costs of a highly skilled individual. Beyond simple cost savings, sharing an assistant assessor can be particularly advantageous in communities that have similar property characteristics. It is also beneficial in smaller communities that do not have many real estate sales or many commercial properties. Martha's Vineyard relies heavily on outside vendors to complete the work that is the responsibility of the Boards of Assessors. This reliance drives up the cost of providing adequate assessing services. Although each town is unique, they are all facing property values never before seen in the history of the Commonwealth. Additional clarity could be found if each of the towns were able to use island-wide data, instead of just the data for their own town. If the island could pool its financial resources and data sets into one professional, full-time assessing office, each of the towns would produce more accurate and uniform assessments.

The Department of Revenue has been watching the ongoing West Tisbury case in front of the Appellate Tax Board as well as the abatement process on the island of Chappaquidick in Edgartown. These two situations are examples of the high-stakes environment that surrounds valuing properties of unprecedented market value. All six towns would do well to make sure that their assessing operation is the most professional and experienced one available under law.

Recommendation 22: Explore Opportunities for Island-Wide Cooperation

We recommend that the Board of Selectmen approach the other island towns in order to explore areas where cooperation could generate more effective government. Each of the six towns on the island has its own government structure, policies and bylaws. Each of these governments reflects the character of the town's population. We would expect that each of these policy-making entities continue to act on behalf of their constituent populations. However, there are areas of government that are not policy related, and instead require skilled professionals. Assessing, collections, treasury, accounting, public works, health inspections, and harbormaster are just a few of those areas. Consolidation of the assessing function might be the most logical place to start.

Acknowledgments

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Michael Stutz, Chairman, Board of Assessors
Carl Widdiss, Assessor
Stefanie Hecht, Chairman,
Finance Committee
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Board of Selectmen
Audrey Jeffers-Mayhew,
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Marjorie Spitz, Accountant
Jean-Ann Jeffers, Assessors' Clerk

Aquinnah hired consultants:

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