Massachusetts Department of Revenue Division of Local Services
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Town of Ashby
Financial Management Review

Municipal Data Management and Technical Assistance Bureau

February 2001

TOWN OF ASHBY

FINANCIAL MANAGEMENT REVIEW

INTRODUCTION

At the request of the Ashby Board of Selectmen, the Department of Revenue's Division of Local Services (DLS) has completed a financial management review of the town of Ashby.

We have based our findings and recommendations on site visits by a Technical Assistance team consisting of staff from the Municipal Data Management & Technical Assistance Bureau. During these visits, the team interviewed the town accountant, treasurer, collector, and the principal assessor. The team also interviewed the town administrator, and a member of the board of selectmen and the finance committee.

Division staff also examined such documents as the tax recapitulation sheet, town reports, annual budgets, the FY99 audit report and management letter, town meeting minutes and other financial documents.

In reviewing the existing financial management, we have focused on: (1) the performance of financial operations in such a way as to maximize resources and minimize costs, and (2) discussing alternative methods of financing capital projects.

The board of selectmen should consider the recommendations contained in this report when formulating overall strategies for improving the town's financial management. The recommendations in this report can be implemented without major changes in the current structure of town government, provided that there is sufficient cooperation among town boards and officials.

EXECUTIVE SUMMARY

Background

Ashby is a small rural community in the north central section of the state with a population of about 3,000. Though it is located within commuting distance to employment centers along I 495, Ashby still retains its small town atmosphere. During the past several years, there has been a significant increase in new home construction in Ashby. Fearing that the town could "quickly and easily lose its rural character,"[1] the town fathers are striving to acquire land for open space. Though Ashby's town officials struggle to preserve its rural surroundings and historic charm, these are the same characteristics that attract new homeowners.

As the town continues to grow, issues facing its local government are becoming increasingly complex. However, Ashby's town government still operates in ways characteristic of a small rural community. For example, like many small towns in New England, Ashby's town government still relies on citizen volunteers to fill key elected and appointed positions. Over the years, however, the town has elected some financial officers who did not perform their duties competently. This has caused serious financial problems that the town is still trying to rectify.

Ashby's growth as a residential community has also imposed greater demands on numerous town services as well as the town's traditionally part-time officials. For example, the police department currently has six full-time police officers. The police chief feels this coverage is no longer adequate and is looking to hire more officers. Part-time boards—such as the planning board, conservation commission, board of appeals and the board of health—have greater workloads directly related to the increase in new home construction. The town is considering hiring a full-time building inspector and also a land use agent to carry out many of the duties performed by the volunteer boards. Town officials also anticipate rising regional school assessments due to increased enrollment.

In terms of capital needs, major renovation work for town buildings that has been deferred over the years can no longer be overlooked. However, there is serious concern over the town's ability to finance capital improvements. Since the town's commercial/industrial tax base is very small, residential property taxes will be the chief funding source for capital improvements. In order to minimize the impact on the residential taxpayer, Ashby town officials must carefully plan the financing of these projects.

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[1] *Annual Reports;* Town of Ashby, 1998: 1

In most cities and towns, the financial offices are instrumental in providing policymakers with the information they need to make informed decisions relative to operating budgets and capital planning. Town officials, on the other hand, need accurate and timely financial information from the financial officers in order to make sound policy decisions. For many years, however, the financial offices in Ashby have not been in the position to provide this information. Some previous financial officers performed their duties inadequately and kept poor records. In other cases, such as the town accountant, the town has experienced frequent turnover. On average, the town has had to hire one new town accountant per year for the past ten years. The combination of these factors has severely hindered the town's financial operations.

As Ashby attempts to manage the various financial impacts of residential growth, significant challenges lie ahead. Chief among these is finding ways to finance increasing operating costs, as well as several sorely needed capital improvements, using the limited resources of a small rural community. Success in meeting these challenges depends, to a great extent, on significantly improving operations in the town's financial offices. The recommendations contained in this report are designed to put these offices in a better position to contribute to the realization of the town's financial goals.

Overall Financial Management

Coordinating Financial Management
In most communities with a selectmen/administrator form of government, the professional administrator is responsible for general financial management and budget coordination duties. In Ashby, the current town administrator has had difficulty exercising her role in this capacity, especially since the treasurer and collector are elected and not accountable to the town administrator. In our experience, we have found that town administrators who play a strong role in coordinating financial management have proven effective in other communities across the state. Therefore, we recommend the town enact a bylaw to establish a financial team consisting of the financial officers and chaired by the town administrator. We feel that this recommendation will strengthen the important role we believe the town administrator should play in the town's financial management.

The purpose of this team will be to provide policy-makers with the information and analytical support they need to develop sound financial policies. Without this bylaw, participation in the financial team by the elected financial officers would be strictly voluntary. A bylaw codifying the role of each official in supporting the financial team would underscore the importance of working cooperatively to improve the town's financial condition. Also, the organization of the financial team—with the town administrator as chairperson and the financial officers as team members—will more clearly define the role of the financial officers in support of the town administrator.

This bylaw, however, is by no means a guarantee of cooperation between the financial officers and the town administrator. The fact that the treasurer and collector are elected, rather than appointed officials, blurs the line of accountability between them and the town administrator. Therefore, our final recommendation with respect to the managerial role of the town administrator is to combine the offices of the treasurer and collector into one appointed position. This will make the appointed treasurer/collector directly accountable to the town administrator. Without implementing this recommendation, establishment of the financial team may not succeed in making the town administrator a stronger financial manager. Appointing, rather than electing, a treasurer/collector will give the town greater flexibility to choose qualified candidates. Also, the town may be able to hire one full-time professional treasurer/collector for about the same salary it currently pays the two elected part-time officials.

We emphasize that this recommendation should be considered long-term, especially since the current collector has made significant progress in cleaning up problems that have plagued that office for many years—such as reconciling receivables and placing delinquent real estate accounts into tax title. Though we feel that at some point the town should combine the treasury and collection functions, there is no question that it has more immediate operational concerns. Chief among these is hiring and retaining a qualified town accountant.

Financing Capital Improvements

Over the years, the town has deferred several capital and maintenance projects. For example, several town buildings require renovations for handicapped accessibility. The town hall and library both require substantial improvements. The police station has limited space since it is housed in an old trailer that was formerly used as a modular classroom. The town is also looking to upgrade its fire station. Some older buildings near the common that are owned by the town, such as the American Legion Hall and the grange hall, also need extensive repair and renovations. The town is also considering several major purchases, such as vehicles for public works and the police department.

Town officials estimate the total cost of all these major improvements at roughly $3-4 million. At the present time, the town is in the process of compiling a capital improvement plan to prioritize and plan the most cost efficient means of financing these projects. Given the potential impact of these projects on the town's tax rate, it is understandable that town officials are seeking to plan and finance these projects in the most efficient way possible.

Currently, the only long-term debt the town is paying down is for the construction of the North Middlesex Regional High School. Since the town has not issued long-term debt in recent memory, town officials have several questions regarding the process of issuing bonds to finance capital projects. Later in this report, we discuss issues the town should consider with regard to debt financing.

The Financial Offices

The Accountant's Office

Our main concern with the accountant's office is the town's ability to attract and retain qualified personnel for this position given the workload and salary. Over the past ten years, the town has employed about one part-time accountant per year. The most recent accountant, who has held this position for a little more than one year, submitted her resignation as of December 31. The accountant has had to devote a significant portion of her time assisting the treasurer and collector so that they can provide her with the information she needs to close the books for FY2000. Consequently, she has felt the need to work over and above part-time hours. For example, the accountant has had to lend assistance to the collector to expedite the process of reconciling receivables. As for the treasurer, she has had to assist her with payroll issues and reconciling cash and tax title receivables. Eventually, the accountant became discouraged by the fact that her salary was not commensurate with the time required to do the job.

In this report, we recommend the town increase the town accountant's salary to help retain qualified candidates. We feel that the services a qualified town accountant can provide will justify this increase. For example, the town accountant should take the lead in resolving several of the operational difficulties between the financial offices, such as persistent reconciliation problems with cash and receivables. By statute, the accountant has broad fiduciary responsibilities to review the financial operations of all town departments.[2] This includes free access to the financial records of other departments for the purpose of examination. The law also allows the accountant to verify the cash balance of all financial offices "by actual count of the cash and by reconciliation of bank account balances."

Therefore, the town accountant's role is crucial to ensuring a complete and accurate flow of financial information among town financial offices so that all transactions are accurately reflected in the town's accounting records. The accountant's role in reconciling cash and receivables is also a key component of sound financial controls.

The Collector's Office

During the 1990s, there were times when Ashby's financial offices were in turmoil, especially in the collector's office. Unfortunately, some of the collectors who were elected did not perform competently. To this day, the current collector is trying to reconcile receivables that are out of balance with the accountant's records due to erroneous and haphazard postings and turnovers that occurred over the years. Consequently, the town is severely behind in closing the books for FY2000 and free cash certification has been delayed. Also, throughout the 1990s, several delinquent real estate and personal property accounts were never placed into tax title.

[2] **MGL CH. 41§ 50**

In the collector's section, we recommend the collector and the accountant develop monthly procedures for reconciling accounts receivable. Frequent reconciliations will make it easier to locate and correct any posting or reporting errors. In turn, this will prevent these errors from being carried forward from year to year. We also recommend that the town accountant audit the records of outgoing collectors. This will also help prevent reconciliation errors from carrying over to the books of successive collectors.

The Treasurer's Office

The treasurer's office also suffers from the consequences of faulty record keeping. It appears that for many years worth of subsequent taxes owed, the treasurer's hand written tax title records show no indication that interest charges or demand fees were ever applied to taxes owed prior to tax title certification. About five years ago, the town began using an outside service (Datamatix) to set up delinquent accounts in tax title. The treasurer uses this service to compute per diem interest and other charges owed when a property owner comes to pay delinquent taxes in full, since she is unable to determine these amounts using her own records.

For some long-standing tax title accounts, the treasurer has asked this service to calculate interest and fees owed for subsequent takings. However, she has only requested they calculate these amounts from the date of tax title certification forward. In order to determine the correct amount actually owed, however, the treasurer needs to know the interest and fees that accrued prior to certification (for each subsequent year of taxes owed). In order to provide Datamatix with the information needed to calculate the interest due, the treasurer must research the underlying tax amounts and mailing dates of the bills.

Some of these records also show that over the years, payments have been applied solely to principal. We recommend that the treasurer apply all tax title payments first to interest and collection fees before applying any portion to the underlying tax (unless the taxpayer directs otherwise). To do otherwise amounts to giving the taxpayer an interest free loan.

Although the treasurer and the accountant have reconciled cash for June 30, 2000, this did not occur until several months later. The treasurer and the accountant have been unable to reconcile cash on a monthly basis. Similar to our recommendation that the collector and the accountant reconcile receivables monthly, we also recommend the treasurer and the accountant reconcile cash monthly

The Assessors' Office

The assessors' office is staffed by a part-time professional assessor as well as a part-time clerk. The part-time assessor is a regional assessor who also works as the principal assessor in two nearby towns—Lunenberg and Townsend. Since these communities do not require the services of a full-time principal assessor, sharing the regional assessor on a part-time basis appears to satisfy the needs of all three towns. It would probably be difficult for each community to hire and retain its own part-time assessor. Overall, the assessors' office appears to operate well. It is also worth noting that three years ago, the assessors' office acquired a GIS (geographic information system) system. Among its many uses, the GIS system has been invaluable in creating the maps for the town's new open space plan.

Our only recommendation for the assessors pertains to converting to quarterly tax billing. There have been several times over the past few years when the treasurer has had to borrow short-term for cash flow purposes. As a future consideration, we think the town should think about converting to quarterly tax billing. Although conversion to a quarterly system increases workloads and entails some additional expense, this must be weighed against the interest charges associated with short-term notes and also the lost of investment income.

As mentioned above, the town's success in achieving its financial goals—especially in terms of funding capital improvements—depends upon effective operations in the financial offices. Since the town's financial offices are the means to accessing and maximizing the town's revenue stream, efficient administration of the town's tax base, healthy tax collections, sound cash management and accurate financial reporting are all fundamental components necessary to achieve these goals. Therefore, the functions performed by the financial offices reach beyond the operations of each individual office; they impact the planning and policy-making processes that in turn affect the quality of life of the town's citizens.

Summary of Primary Recommendations

1) Financial Management: Organize a financial team to more clearly establish the role of the financial officers in support of the town administrator. [Page 9]

2) Financial Management: Consider a combined treasurer/collector's position that is appointed, rather than elected. [Page 10]

3) Financial Management: Issue long-term bonds to finance capital projects costing $1 million or more. [Page13]

4) Financial Management: Conduct audits annually rather than every three years. [Page 14]

5) Accountant: Consider increasing the accountant's salary to attract and retain qualified candidates. [Page 17]

6) Accountant: Submit the balance sheet to the Bureau of Accounts after thoroughly attempting to resolve all discrepancies. [Page 18]

7) Accountant: Begin gathering information on GASB #34. [Page 19]

8) Collector: Reconcile receivables with the accountant monthly. [Page 21]

9) Treasurer: Reconcile cash monthly. [Page 23]

10) Treasurer: Research the mailing dates of tax bills to determine whether or not the amounts listed as subsequent taxes include interest and fees. [Page 23]

11) Treasurer: Apply interest percentage that was in effect at the time of the original taking to subsequent tax title amounts. [Page 24]

12) Treasurer: Apply all tax title payments first to interest and other charges and then to principal. [Page 24]

13) Treasurer: Foreclose on long-standing properties in tax title. [Page 26]

14) Assessors: Consider converting to a quarterly tax billing cycle. [Page 28]

OVERALL FINANCIAL MANAGEMENT

Coordinating Financial Management

Finding 1: Establish a Financial Team
The town administrator is appointed by the board of selectmen and serves as the town's full-time administrator. She administers the daily operations of the selectmen's office and advises and directs department heads in administering town functions. In Ashby, the town administrator's job description charges her with general financial management and budget coordination duties. However, the town bylaws mention little with regard to the duties of the town administrator, other than that she "shall meet at least once per month with all town finance officials to coordinate the financial affairs of the town."

The town administrator finds it difficult to coordinate financial operations since two of the four financial officers are elected, rather than appointed. Since the treasurer and the collector are beholden only to the voters, the town administrator has no real supervisory authority over their offices. Consequently, there have been times when it has been very difficult for the town administrator to fulfill her duties as the town's general financial manager. The town administrator has discontinued the monthly financial meetings required by the bylaw due to conflicts that have arisen between her and the financial officers.

Recommendation 1: Establish a Financial Management Team
We recommend that the town establish a financial management team through the adoption of a bylaw. The financial management team should be chaired by the town administrator and meet on a regular basis throughout the year. It should also include the accountant, treasurer, collector, and principal assessor. This bylaw would formalize the participation of the above officials in the financial team process and more clearly establish the role of the financial officers in support of the town administrator as the town's financial manager.

The purpose of the financial management team is twofold: (1) to provide analytical support to the town's policymakers, and (2) to function as a forum for the discussion and resolution of operational issues that confront members of the financial team. In terms of analytical support, the financial management team would be a resource for the board of selectmen and the finance committee as each formulates policy. The team would also coordinate the collection of data and complete analyses that would serve as a basis for decisions by the town's policy-making bodies concerning debt limits, reserve fund levels, revenue/expense estimates and annual budget guidelines.

These meetings should also provide the opportunity to discuss operational issues. Since several functions of the financial officers perform are interrelated, they may find that one or more of their peers has experienced similar problems and may be able to offer a solution. The town administrator should regularly attend the financial team meetings and also provide leadership and direction as chair. As the town's full-time, professional administrator who oversees the daily operations of the town, she is in the best position to moderate disputes and establish goals and objectives and keep the group focused on their attainment.

Finally, we want to emphasize that this recommendation is not intended to place the town administrator or finance officers in a policy-making role. Rather, it is intended to provide formal channels of communication and a vehicle for coordinating financial management.

As stated earlier, this recommendation alone will not succeed in strengthening the role of the town administrator with respect to financial management. It is only one component that is needed to improve the coordination of the town's financial management. The other is discussed in the following recommendation.

Finding 2: Combining the Treasury and Collection Functions
As discussed earlier in this report, the town has experienced several elected financial officials who did not perform their duties competently. This has cost the town several thousands of dollars to rectify. For example, there have been times over the last ten years or so when the town has had to hire outside help to straighten out problems caused by previous elected financial officers. Today the town finds itself in a similar situation; in the wake of the resignation of the most recent town accountant the town is looking to hire an outside accountant to close the books for FY2000. The accountant's resignation, as well as the problems in closing out FY2000, are due in part to long-standing difficulties in the treasurer's and collector's offices. Needless to say, the mistakes of previous elected financial officers have placed more of a burden on the current treasurer and collector than they would ordinarily have to handle.

Recommendation 2: Combining the Treasury and Collection Functions
<u>We recommend the town consider a combined treasurer/collector's position that is appointed, rather than elected.</u> This change reinforces the new bylaw designed to strengthen the role of the town administrator in financial management and establishes a clear line of accountability between the town administrator and the appointed treasurer/collector. Combining the two part-time salaries allows the town to create a full-time position with a salary sufficient to attract qualified candidates from outside the town's boundaries. Though a combined treasurer/collector will probably require some additional staff support, the town is already considering budgeting funds for additional support staff in FY2002. In recent years, several other towns have received special legislation to combine these offices.

Financing Capital Projects

The town administrator and the finance committee have recently begun the process of organizing the town's capital needs into a five-year capital improvements program. Though town officials have not yet prioritized proposed capital improvements, there are several projects that have been deferred over the years that require more immediate action than others. These generally include the town hall, the library, the fire and police stations and some historic buildings near the town common. Since all of these projects have more or less the same urgency, town officials are considering borrowing roughly $3-4 million all at once to cover the cost of financing these projects.[3]

Excess levy capacity refers to the difference between the actual tax levy and the levy limit. For FY2001, Ashby levied $2,771,841. This amount is only $248 below the levy limit of $2,772,089. The FY2001 excess levy capacity of $248 represents the additional tax revenue the town could raise without going to the voters for an override or debt exclusion. Since Ashby's levy is so close to the levy limit, it appears that the town will have to seek voter approval of a debt exclusion in order to fund the debt service on capital projects.

However, some town officials have expressed concern over the town's ability to repay the debt the town would incur if it were to borrow $3-4 million in one lump sum. The table below shows the effect on the FY2001 tax rate ($17.17 per $1,000 assessed valuation) and average single family tax bill of borrowing various amounts over a twenty-year period using an annual interest rate of 6 percent.[4]

[3] A loan that covers two or more authorizations for different purposes is referred to as a "municipal purpose loan."

[4] This table is calculated using level debt service payments. Ordinarily, debt service payments are structured using level principal payments. However, **Ch. 44§19** allows level debt service payments for borrowings funded by voter approved debt exclusions.

Table 1

AMOUNT BORROWED (MILLIONS)	DEBT SERVICE IN YEAR 1 (DOLLARS)	TAX RATE (DOLLARS PER THOUSAND)	AVG. SINGLE FAMILY TAX BILL* (DOLLARS)	DOLLAR INCREASE IN FY2001 AVG. TAX BILL	DEBT SERVICE [5] AS A PERCENTAGE OF TOTAL GENERAL FUND EXPENDITURES (FY2001)
			(Current) 2,336		
1	85,000	17.70	2,408	72	6.43
1.5	130,000	17.98	2,446	110	7.63
2	175,000	18.25	2,483	147	8.82
2.5	220,000	18.53	2,521	185	10.01
3	260,000	18.78	2,555	219	11.07
3.5	305,000	19.06	2,593	257	12.26
4	350,000	19.34	2,631	295	13.45

**Based on an average single family home value of $136,050.*

This table also shows debt service as a percentage of total general fund expenditures.[6] This comparison is one of several measures used by communities (and credit rating agencies) to evaluate the community's debt burden.[7] While some communities strive to limit debt service to 10 percent of general fund expenditures, other communities, in different circumstances, may tolerate levels as high as 15 or more. There are also legal limits restricting the amount of indebtedness that a town may authorize. This legal debt limit is set at five percent of equalized valuation for towns **(MGL Ch 44, §10)** and may be increased to ten percent with the approval of the Emergency Finance Board. Applying this five percent debt limit to Ashby's 2000 equalized valuation yields a statutory debt limit of $7.97 million.

[5] Includes FY2001 debt service of $157,768 on the North Middlesex Regional School District bond issue.
[6] The Schedule A provides the **actual** amount for total general fund expenditures. Due to the town's late filing of the Schedule A, this information is not available for FY2000. For this table, the total amount to be raised for FY2001($3,773,534), is used in place of FY2000 **actual** general fund expenditures.
[7] Other debt burden indicators include: debt service as a percentage of general fund revenues; debt service as a percentage of property tax revenues and debt service as a percentage of operating expenditures. The Government Finance Officers Association (GFOA) has several publications on measuring debt capacity.

Finding 1: Issuing Long term Bonds to Finance Capital Improvements
To provide money for capital improvements such as the ones mentioned above, most communities borrow by issuing bonds. This is known as long-term debt.[8] During our discussions with town officials, some questions arose over the costs and fees associated with issuing long term bonds.[9]

Recommendation 1: Issuing Long-term Bonds to Finance Capital Improvements
We recommend that for projects costing $1 million or more, the town consider issuing long-term general obligation bonds. These types of bonds are paid from a municipality's property taxes and other general revenues and are secured by the town's pledge of "full faith and credit and taxing power." This phrase conveys the pledge of utilizing all taxing powers and resources, if necessary, to pay the bondholders[10].

The process of issuing long-term bonds is complex and involves many key players. In addition to municipal officials, these include participants who charge fees for their services, such as a financial advisor, bond counsel and also credit rating agencies. Although long-term bond issuance involves significant costs, it is still the preferred method for financing capital borrowing in excess of $1 million. A key reason for the attractiveness of bond financing is that municipal bonds offer income exempt from both federal and state taxes. *The tax-exempt status of the earnings enables municipalities to offer bonds at lower interest rates than they could get borrowing from lenders at commercial terms.*

However, the actual interest the town will have to pay on a bond issue depends on many factors related to its financial condition. For example, one important factor bond-rating agencies consider is financial management. Strong financial management with the ability to accurately plan and develop reserves is a common characteristic of highly rated communities.

In order to minimize the impact on the taxpayer and keep debt payments manageable, the town should issue long term general obligation bonds for the maximum term of maturity allowable under state law[11]. For the type of projects the town is considering, this type of borrowing is usually paid over a twenty-year period. Paying off debt over this length of time will mean lower annual payments. Conversely, shortening the term of bond maturity means that annual payments will be higher.

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[8] Purposes for which a municipality may borrow and its debt limits are listed in **MGL Ch. 44 sections 7, 8 and 10.**
[9] A municipal bond is a loan agreement between a municipal issuer (a state or a local government) and a bondholder. The bondholder lends a set amount of money to a municipality and expects to be repaid with interest.
[10] The buyer of municipal bonds, however, has no claim on the assets of the issuer, i.e., the municipality.
[11] The purpose, length to maturity, debt limits and procedures for the issuance of municipal debt, for both short and long term, are tightly regulated by **MGL Ch. 44.**

We also recommend the town procure the services of a financial advisor to guide officials through the process of issuing municipal bonds. This process involves several steps; numerous legal steps must be followed and numerous documents must be prepared. Generally, a financial advisor can be obtained from a bank, investment-banking company or independent consulting firm. This person advises the issuer on all financial matters pertaining to a proposed issue.

Another alternative the town may want to consider is adopting the Community Preservation Act **(MGL Ch. 44B)**. Following required town meeting and voter approvals, the town can assess up to a three percent surcharge on real estate tax bills. State distributions of fees assessed at the Registry of Deeds or Land Court will also be paid to accepting municipalities. Monies from these sources are kept in a separate fund and may be used to acquire open space, historic resources, and affordable housing, as well as to improve historic properties already owned or controlled by the town.

Finding 2: Annual Audits
Auditors recently completed the town's audit for the fiscal year ending June 30, 1999. The town's last audit prior to this most recent one was for the fiscal year ending June 30, 1996. According to the town officials, the town's policy is to conduct an audit every three years.

Recommendation 2: Annual Audits
We recommend the town conduct audits annually rather than every three years. An audit is an independent examination of a municipality's financial systems, procedures, transactions and account balances that determines whether a town's financial statements are "fairly presented." The presence of the auditor, an outside professional, is an incentive for financial officials to maintain sound procedures and accurate records.

While conducting annual audits will require additional funds, the cost for each audit is likely to be less than what the town pays now. Audits conducted every three years involve more work for the auditor, and more work means more cost to the town. For example, when audits are conducted every three years, the auditor cannot rely on the accuracy of the prior year's ending balances, since that year was not formally audited (nor was the year before it). Consequently, it takes more time and effort to verify the accuracy of beginning balances, and this additional work is reflected in the auditor's fee.

Towns that conduct annual audits usually contract with the auditor for a few years. As a result, the town can use the auditor as a resource to help resolve issues raised in the management letter. Since the board of selectmen is ultimately responsible for the town's financial condition, they should provide the impetus to see that corrective recommendations take place if a management letter reveals improper or inadequate procedures. Annual audits will enable town officials to act more quickly to take corrective action when problems are detected. This not only improves the financial condition of the town, it helps officials demonstrate to the public that the government's assets are safe and in responsible hands.

As mentioned earlier, should the town choose to borrow funds by issuing long-term bonds, it must apply for a credit rating from an independent rating agency such as Moody's Investors Service or Standard and Poor's. In assigning ratings, these firms prefer to review *audited* financial records from the last three consecutive years. Since Ashby does not conduct annual audits, credit rating agencies will have to settle for reviewing unaudited records for two of the last three years. Though many factors are weighed in the credit rating process, this will tend to detract from the town's overall rating.

THE FINANCIAL OFFICES

Accountant's Office

The town accountant's chief responsibility is to maintain the town's financial records. This involves maintaining the general ledger and producing year-end reports such as the statement of revenues and expenditures, balance sheet, and any other records required by law or regulation. In addition, no bill can be paid without the approval of the town accountant. In Ashby, the town accountant is a part-time employee appointed by the board of selectmen.

As discussed earlier, the most recent town accountant resigned her position effective December 31, 2000, after holding the position for about 14 months. Although this position was her first as town accountant, she worked as the assistant town accountant in the town of Harvard for about 4 years.

The town accountant says she was hired with the understanding that the job entailed working about 28 hours per week. However, as discussed earlier, she has felt the need to work close to "full-time." The accountant's office uses the B&H Software municipal accounting package. This software is in the DOS format and is used primarily by small towns in the western part of the state.

Finding 1: Increasing the Accountant's Salary

The most recent part-time town accountant (who resigned effective December 31) received an annual salary of $13,965. As mentioned earlier, the accountant has had to assist the treasurer and the collector with numerous problems including reconciling cash and receivables and also payroll issues. This has made it difficult for her to allocate time to performing her own duties. The accountant has become frustrated with receiving compensation for part-time hours when she has had to work over and above that amount.

Recommendation 1: Increasing the Accountant's Salary

<u>We recommend the town consider increasing the salary of the part-time accountant so that it can attract and retain qualified candidates.</u> Due to the increasing complexities of municipal finance, there is a growing demand for qualified town accountants in Massachusetts. Over the past fifteen years or so, new laws and regulations have developed, such as the Education Reform Act of 1993 and even the new accounting regulation—GASB #34, that can confuse and overwhelm an accountant who is new to municipal finance.

The salary increase (within the range of $4,000-$6,000) may help Ashby attract candidates for the position of town accountant who possess adequate experience in municipal finance. The town must also consider the fact that the new town accountant must take a leadership role in resolving several of the reporting issues that have caused reconciliation difficulties between the financial offices. As these problems eventually become resolved, an experienced accountant should have the time to provide town policy making boards with various financial reports that will be useful in financial planning and budget preparation. This is a service the current town accountant has not been able to provide, due to lack of experience and also the fact that she has had to devote a significant portion of her time to problems related to the treasurer and collector's records.

Despite the recommended salary increase, it still may be difficult to attract a qualified person to fill this position. As mentioned above, town accountants—especially in the central and western parts of the state—are in demand. Qualified persons in this field will most likely desire more than part-time work. Therefore, the town may want to pursue an arrangement similar to that of the regional assessor—where one person works part-time for more than one town. It will be easier to retain a town accountant who does not have to depend solely on part-time salary from one town for income.

Finding 2: Closing Out FY2000

The most significant obstacle the former town accountant has faced in closing the books on FY2000 is reconciling real estate, personal property and motor vehicle excise receivables. A discrepancy totaling approximately $64,000 still exists between the accountant's general ledger and the collector's receivable records, with the general ledger showing a greater receivable balance than the collector's records. The collector says that after conducting exhaustive research, he is unable to reduce the total figure below $64,000. These receivable discrepancies, which occur in almost every levy year since the late 1980s, have delayed the accountant's submittal of the balance sheet to the state Bureau of Accounts and, consequently, the town's free cash certification.

Recommendation 2: Closing Out FY2000

<u>We recommend the accountant submit the balance sheet with the receivable discrepancies to the state Bureau of Accounts.</u> Attempting to resolve these discrepancies has been a difficult and time-consuming process for both financial officers. Since the accountant and the collector have reached a point where they feel they can no longer reduce the $64,000 figure, the accountant should submit the balance sheet.

Consequently, the Bureau of Accounts will either reduce free cash by the amount of the discrepancy or require the town to raise this amount in the following fiscal year's tax rate. Whether the town pays the penalty in free cash or the next fiscal year's tax rate will be determined by the Bureau of Accounts. However, since the town has made significant progress in reconciling receivables, including reconciling the FY2000 receivables and attempting to reconcile cash and receivables more frequently, the Bureau of Accounts may be amenable to allowing the town to raise this amount over a multi-year period rather than all in one year.

Finding 3: GASB #34
Under the new financial reporting module as specified by the Government Accounting Standards Board (GASB #34), the town will be required to record fixed assets on the financial statements. This will affect the town in FY2003. In order to comply with this standard, the town must maintain detailed records of town-owned property and assign values to these assets.

Recommendation 3: GASB #34
We recommend the town begin to gather information concerning GASB #34.
The implementation of GASB #34 will be a difficult and complex task for Massachusetts cities and towns. There will be start-up and ongoing costs coupled with the need to modify current accounting methodologies or adopt an entirely new accounting system. Information relative to the requirements of and potential costs to implement GASB #34 is available form the Government Accounting Standards Board (GASB), the Government Finance Officers Association (GFOA) and the state Division of Local Services (DLS).

Collector's Office
The collector was elected to a three-year term in April 2000. Prior to serving as the elected collector, he worked for about four years as the former collector's assistant. Although the town has appropriated $6,200 for a part-time assistant in FY2001, the collector has not yet hired anyone for this position. He feels that he needs to become more familiar with his own duties before he will be able to train an assistant. The collector receives an annual full-time salary of $25,000 but works well in excess of forty hours per week.

The collector's office collects real estate and personal property taxes and motor vehicle excise. In FY2001, the town will collect approximately 1,500 real estate tax bills and140 -150 personal property tax bills. Since the town issues property taxes semi-annually, these bills are collected two times each year. For fiscal years 1999 and 2000, the town's collection rates[12] for real and personal property taxes were 95 and 96 percent respectively. Approximately 4,000 motor vehicle excise bills are issued each year. On average, the collector estimates that he processes 12-15 municipal lien certificates per month.

The collector uses Point software to post payments for real estate and personal property taxes and motor vehicle excise. For payments that match the amount billed, the collector scans the bar code on the bill with a scanning wand to enter the payments into the computer system. However, if the amount paid does not match the amount

[12]Collection rates for each of these fiscal years were determined by calculating the amount collected for real and personal property taxes as a percentage of the net tax levy (gross levy less allowance for abatements and exemptions).

billed, the collector must key the payment into the Point system.[13] He also uses Point to print all tax bills in house. The town uses a deputy collector for pursuing delinquent motor vehicle payments.

Due to problems with past tax collectors that did not perform competently, the town is behind in placing delinquent parcels in tax title. The current collector is working to rectify this problem by placing delinquents from past years in tax title. **Table 2** in the treasurer's section shows that the collector has made progress as the amounts in tax title have steadily increased. The collector says that delinquents from FY98, FY99 and FY2000 are now in tax title; however, he estimates that about forty delinquent accounts from prior years—some dating as far back as 1989—still need to be placed in tax title.

Once the collector has placed a delinquent parcel in tax title, he refers the account to a business (Datamatix of Watertown) which performs tax title services for municipalities. Datamatix notifies delinquent taxpayers that their property is in tax title and also prepares periodic letters urging payment. They also inform the treasurer of the status of each account and compute per diem interest owed by the taxpayer. Datamatix charges the town a one-time fee of $98[14] for providing services for each account.

Finding 1: Reconciling Receivables with the Accountant

The accountant and the tax collector have reconciled FY2000 receivable balances for real estate, personal property taxes and motor vehicle excise, however, variances exist between the accountant's and the collector's receivable records for FY99 through FY88. The accountant's total for receivables for real estate and personal property taxes and also motor vehicle excise exceeds the collector's balance by about $64,000.

Problems with reconciling receivables have persisted in Ashby for over a decade. Previous tax collectors fell behind in their record keeping and made errors in posting payments. Over the years, it appears that several payments were posted to the wrong levy year and some were never posted, since some taxpayers who have received demands have come forward with proof of payment.

Reconciliation problems are preventing the town from receiving certification of free cash from the state Bureau of Accounts (BOA). Recently, the BOA initiated a new reporting requirement regarding receivables to accountants, collectors and treasurers. As the first phase of a multi-year program, BOA required that the accountant, collector and treasurer list all outstanding receivables for real estate taxes, personal property taxes, motor vehicle excise, tax title liens and tax foreclosures. BOA required that this report be submitted as a condition to certifying free cash on July 1, 1999. However, variances in these balances did not preclude certification of free cash. Beginning with the July 1,

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[13] If the taxpayer owes interest and pays less than the amount printed on the tax bill, the Point system appropriately applies the payment first to demand fees (if any) and interest and then to principal.

[14] This $98 charge is **not** included in the fees the collector can add to the amount of uncollected taxes as set forth by **MGL Ch. 60 §15.**

2000 free cash certification, however, these receivables must be reconciled to demonstrate the validity of the balance sheet and to receive free cash certification.

Recommendation 1: Reconciling Receivables with the Accountant

We recommend the collector and the accountant develop procedures for reconciling accounts receivable on a monthly basis. Generally, the reconciliation process begins with each office (treasurer, collector and accountant) reviewing its records with the reported activity. For example, the collector must review the records, making sure the assessors' reported commitments, abatements and exemptions match the receivable detail. In addition, the collector's office must review collections posted in the cash book and refunds processed through the town warrant, making sure these were accurately reported to the accountant. Similarly, the accountant reviews her records, checking the assessors' reported commitments, abatements and exemptions against the general ledger. The accountant also reviews or verifies that reported revenues turned over by the collector were posted accurately in the general ledger.

We also recommend the collector begin the process of writing off uncollectible motor vehicle and personal property accounts that date back several years. As stated above, the town has uncollected personal property taxes and motor vehicle excise dating as far back as the mid- to late 1980s. **MGL Ch. 60A § 7** states that motor vehicle excise can be determined "uncollectible" by "reason of death, absence, poverty, insolvency, bankruptcy, or other inability of the person assessed to pay." **MGL Ch. 59 § 71** applies a similar standard for determining whether personal property is uncollectible. In the case of motor vehicle excise, the collector should work diligently with Kelly & Ryan to determine which accounts are no longer collectible. Once the collector has determined which personal property and motor vehicle excise accounts are uncollectible he should work with the assessors to have them abated and cleared off the town's books.

Finding 2: Auditing the Previous Collector's Records

As mentioned above, the collector inherited a long list of receivables that have not been reconciled with the accountant's general ledger. At the present time, he is working to reconcile receivables that were never reconciled by his predecessors. This has been a time consuming process and has delayed the town's free cash certification.

Recommendation 2: Auditing the Previous Collector's Records

In the event of a change in tax collector, and in accordance with **MGL Ch. 60 § 97**, we recommend that the town accountant conduct an audit of the outgoing tax collector's records, including his list of uncollected taxes. This will prevent receivables that have not been reconciled by the previous collector from being transferred to the books of the new collector. This statute also requires the assessors to commit a new warrant to the new collector. This provides the new collector with the authority to collect and relieves him of any responsibility for errors committed by previous collectors.

Treasurer's Office

The town treasurer was elected to a three-year term in April 1998. Although she is also an elected member of the board of assessors and has served as a volunteer on several town committees, she has no prior experience performing the duties of a town treasurer. The treasurer's annual salary of $11,000 is based on working part-time hours. However, she estimates working close to forty hours per week.

The treasurer's office is responsible for payroll, health insurance and cash management, including the investment, disbursement and borrowing of cash. The treasurer's office maintains a computerized record of miscellaneous cash receipts and also a computerized cash book of receipts and disbursements from all bank accounts. This office also handles tax title account collections.

Since the treasurer has held this position, the town has experienced frequent turnover in the town accountant's office. Including the recently departed town accountant, the town has employed four town accountants since the treasurer began serving in1998. During periods when the town was between accountants, the town administrator was appointed acting town accountant. The treasurer feels that the frequent turnover in the accountant's office has made it difficult for her to perform several of her duties, including timely cash reconciliations.

Allowing cash reconciliations to lapse calls into question whether the town's financial statements are fairly stated and accurately reflect the town's financial position. As the town considers issuing general obligation bonds to finance several major capital improvement projects, this could adversely affect its bond rating. For example, banks, investors and bond-rating agencies rely upon the balance sheet to assess a community's strengths, weaknesses and financial position. A major component of the balance sheet is the assets (cash and accounts receivable). The assets listed are based on information reported to the accountant by the collector and treasurer and should reconcile with the collector and treasurer's records. If cash or receivable discrepancies exist between these offices, then it raises questions about the accuracy of the balance sheet.

Finding 1: Reconciling Cash on a Monthly Basis

The treasurer says that although she and the accountant would like to meet to reconcile cash monthly, they have been unable to accomplish this. On October 30, the treasurer finally completed the cash reconciliation for the quarter ending June 30, 2000. She is currently working on reconciling cash for the months of July and August in FY2001.

Recommendation 1: Reconciling Cash on a Monthly Basis
We recommend that the treasurer and the accountant conduct prompt and frequent cash reconciliations. Maintaining control over cash is the treasurer's primary function. At a minimum, reconciliation between bank accounts, the cash book, and the general ledger should occur monthly. Frequent reconciliation will make it easier to locate and correct any posting or reporting errors. It will also make it easier to produce accurate financial records and reports that are essential requirements for outside agencies such as the state Bureau of Accounts. The *Treasurer's Manual,* published by the Department of Revenue, provides step by step procedures for reconciling cash with the cash book, bank statements and the general ledger.

Finding 2: Correctly Determining Interest and Fees Owed on Tax Title Accounts
While most tax title accounts have been referred to Datamatix, the treasurer just recently transferred some of the long-standing tax title accounts to Datamatix.[15] For several years of subsequent taxes owed on these long-standing accounts, there are no entries for interest charges or fees to date of certification on the treasurer's tax title records. However, the treasurer has assumed that the amounts listed for each levy year as subsequent taxes owed include interest and fees. Based on this assumption, she has asked Datamatix to calculate the interest and fees accrued from the date of certification into tax title to date (and not the interest and fees accrued prior to certification) so that she can provide the property owners with a final pay off amount.

Recommendation 2: Correctly Determining Interest and Fees Owed on Tax Title Accounts
We recommend the treasurer research the records of former collectors to determine the underlying tax and the date the tax bills were mailed, since interest on delinquent tax bills accrues from the date of mailing.[16] Specifically, the treasurer should attempt to locate the affidavits of mailing that record the mailing date of each levy's tax bills. Researching the date of mailing and then calculating the interest to the date of certification is the only way to know with certainty whether or not the amounts listed as subsequent taxes owed include all interest (and fees).

[15] According to the treasurer, the owner of several parcels that have been in tax title since the 1970s went out of business several years ago; however, tax bills are still sent to the address used at the time of the original tax taking and returned to the town by the Post Office. The treasurer has no current address for the owner and is unsure whether this person is still alive.
[16] For example, if a first half, semi-annual tax bill is mailed after October 1st, the taxpayer has thirty days from the mailing of the bill in which to pay the tax without interest. If the bill is not paid within thirty days, interest accrues from the date of mailing **(MGL Ch. 59§ 57)**.

Finding 3: Applying the Appropriate Rate of Interest
As discussed above, the treasurer has asked Datamatix to calculate the interest and fees owed from the date of certification on some properties that have several years worth of subsequent taxes owed. However, there appears to be some confusion over whether or not Datamatix should factor in increases in the interest rate that have occurred over the years since 1964—the year these properties were originally placed into tax title.

Recommendation 3: Applying the Appropriate Rate of Interest
We recommend that Datamatix apply the interest percentage that was in effect at the time of the original taking. Subsequent changes have no effect on tax title accounts previously established. The original amount certified, together with all amounts subsequently certified, accrue at the initial percentage (6.5 percent).

Finding 4: Applying Tax Title Payments
The owner of one property in tax title was delinquent in paying taxes from the late 1960s to 1989 but has been current in taxes owed from 1989 onward. For the delinquent taxes owed, the treasurer has been accepting payments of $60 per month from the property owner. However, she applied these payments toward paying down the principal amounts owed rather than the interest, as was the practice of previous treasurers.

In November, the treasurer suspected that the owner may have over paid the principal. However, none of the payments have ever been applied to interest and fees. The treasurer has asked Datamatix to calculate the interest and demand fees owed on these subsequent taxes owed, so that she can determine the correct amount, if any, still owed on the principal.

Recommendation 4: Applying Tax Title Payments
We recommend that the treasurer apply all tax title payments first to interest and collection charges before applying any portion to an underlying tax. Only the amount of a delinquent tax, not unpaid interest and collection charges, generates any additional interest. Consequently, the Division believes that sound financial practice dictates that the treasurer, upon receipt of a partial payment, apply that payment, first, to outstanding interest and collection charges, unless the taxpayer expressly directs otherwise.

A taxpayer may direct how a partial payment is to be applied (Commissioner of Revenue v. Molesworth, 408 Mass. 5800 [1990]). However, the Division feels that in a circumstance where a taxpayer directs that a partial payment be applied to an underlying tax amount, only, the municipality should aggressively exercise strict collection procedures, including foreclosure of the right of redemption, as quickly thereafter as permitted by the relevant statutes. To do otherwise gives the taxpayer what is, in effect, an interest free loan.

Finding 5: Foreclosure Proceedings
Although there are about 37 real estate accounts in tax title, with some dating as far back as the 1960s, the current treasurer has never taken any action to foreclose.

The table below shows the town's tax title and tax foreclosure activity in the fiscal years indicated.

TABLE 2	FY95	FY96	FY97	FY98	FY99
Tax Titles Receivable[17]	12,407	15,824	62,662	72,159	197,276
Tax Foreclosures	3,119	3,119	3,119	3,119	3,119

Recommendation 5: Foreclosure Proceedings
We recommend that the town be more aggressive in commencing Land Court foreclosure proceedings. By promptly initiating foreclosure, especially on properties of high value, the town will encourage back payments and will convey the message to taxpayers that the town is serious about collecting overdue taxes. This process allows the town to take possession of the parcel, which can then be auctioned, or preserved, as town-owned land.

The town should consider auctioning some of the foreclosed properties to recoup some of the taxes owed. For those parcels that the town may want to retain, the outstanding amounts due should be written off and charged to the allowance for abatements and exemption or raised. Town meeting should also vote to accept any of these parcels as town-owned land.

We recommend the treasurer work with the assessors to conduct a "diligent search" for property owners whose address is unknown. If they are still unsuccessful in locating the owner, the assessors should request authorization from the Commissioner of Revenue to assess taxes to "persons unknown" in accordance with **MGL Ch. 59 § 11**. Once this authorization is granted, the treasurer can commence foreclosure proceedings on the parcels in Land Court.

Finding 6: Payroll Deductions
The accountant prepares a payroll warrant for payment by the treasurer that lists each employee's gross salary amount. This gross figure includes net pay as well as all withholdings. Because the treasury warrant has gross wages and the treasurer has written checks for net wages, the payroll deductions have to be recognized as a balancing factor when reconciling payroll checks to the payroll warrant. Therefore, the

[17] For FY2000, the treasurer's records show $166,053 as the amount for tax titles receivable; the accountant's amount is $188,532.

treasurer enters the payroll deductions as receipts on her schedule of monthly receipts that she gives to the accountant.

Recommendation 6: Payroll Deductions
We recommend that, in the preparation of the payroll warrant, the accountant show the gross payroll for employees by department, the total due for employee withholdings by withholding category, and the total due for the town's share of withholdings by withholding category. Using this format, the treasurer need not record withholdings as receipts. The payroll warrant must also reference a "payroll journal" which should include the gross salary, each withholding amount and net salary by employee.

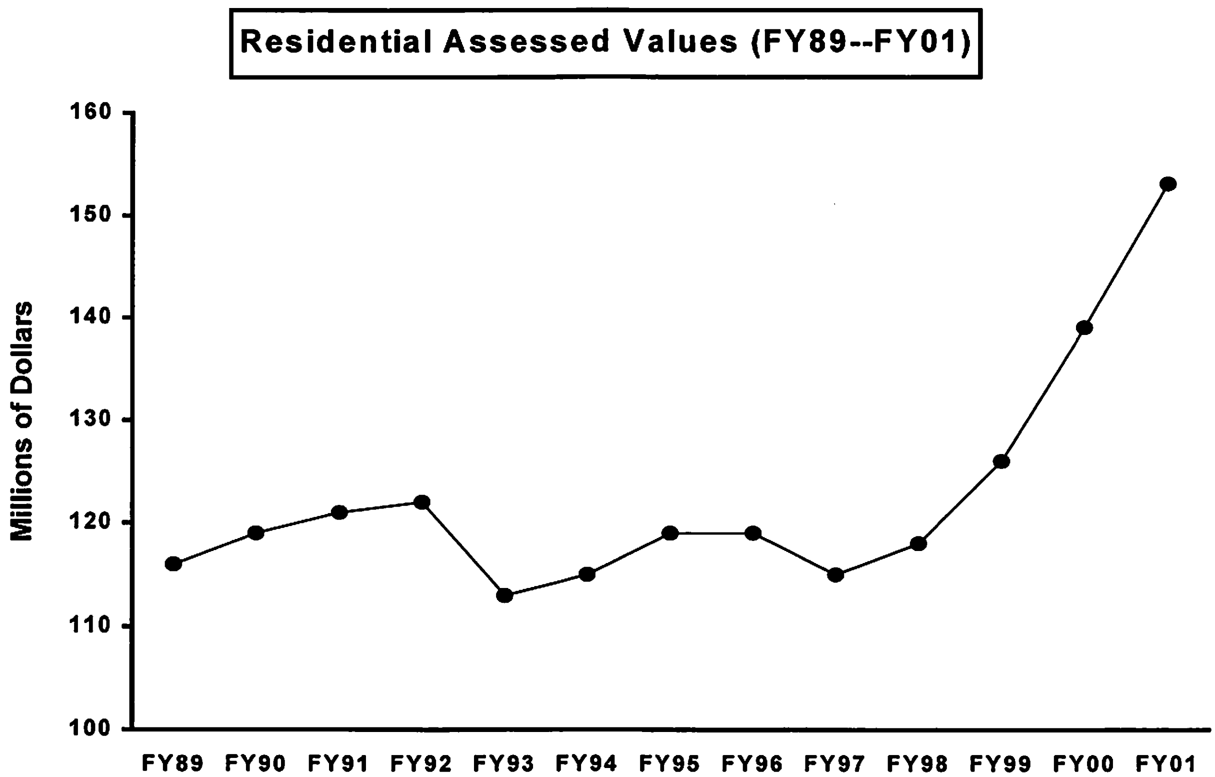
The treasurer need not post withholdings as receipts, but should track weekly withholdings elsewhere. When the time arrives to pay out withholding amounts (say, at the end of the month), the treasurer and accountant should meet to verify totals to each withholding category.

Assessors' Office

The assessors' office is responsible for valuing Ashby's real and personal property for the purposes of taxation. Members of the town's three-member board of assessors are elected for three-year terms. One of the members of Ashby's board of assessors serves on a regional board of assessors with assessors from Lunenburg and Townsend. This regional board has appointed a principal assessor to work for all three towns part-time. This person works in Ashby one day per week and two days per week in the other two towns. The principal assessor has worked in this position for the past six years and has also worked as an assessor prior to becoming the regional assessor. Aside from the principal assessor, the office is staffed by one part-time assistant who is also an elected assessor.

The principal assessor is responsible for analyzing sales data, adjusting land and cost schedules and valuing residential property. In Ashby, the assessors' office values approximately 1,500 residential and 130 personal properties. The residential tax base totals about $153 million or about 95 percent of the town's total FY2001 assessed value of $161 million. Of the total FY2001 tax levy of almost $2.8 million, the residential class contributes $2.6 million or almost 95 percent of the total levy. Ashby, as well as Lunenburg and Townsend use the state's Computer Assisted Mass Appraisal (CAMA) software system to generate residential property values and maintain a property database. These three towns are also on the same schedule for tri-annual recertification with FY2003 as the next recertification year.

Ashby's assessors' office also analyzes and adjusts property values annually to reflect changes in the real estate market. The chart below shows how the town's assessed values for residential properties have risen and fallen over the past decade. Values that are not adjusted downward to reflect market downturns may create abatement liabilities for the town. On the other hand, in an appreciating market, new construction values that have not been adjusted upward will result in less new growth added to the levy limit.



As the above chart illustrates, the town has experienced marked increases in property values over the past three years. Increases in building permits applied for and new growth[18] over the past few years also indicate that new construction is on the rise in Ashby (**see tables below**).

[18] New growth is the taxing capacity added by new construction and other increases in the property tax base. It is calculated by multiplying the value associated with new construction by the tax rate of the previous fiscal year.

TABLE 3: TOTAL NEW GROWTH APPLIED TO LEVY LIMIT		BUILDING PERMITS (NEW HOMES)	
FY95	72,269		
FY96	30,095	1996	15
FY97	26,496	1997	16
FY98	42,191	1998	18
FY99	76,298	1999	20
FY00	81,034		
FY01	97,484		

Finding 1: Improving Cash Flow
In past years, Ashby has experienced cash flow problems. For example, often when the regional school district assessments were due and the town was waiting for revenue from the first semi-annual tax payments, the treasurer was short of cash. The table below lists the town's short-term borrowings[19] (revenue anticipation notes) and interest charges since 1998.

TABLE: 4 TAX REVENUE ANTICIPATION NOTES			
Date	**Amount**	**Interest Rate**	**Interest Charged**
9/25/98	500,000	3.76	3,169
11/20/98	300,000	3.50	2,589
2/18/98	200,000	3.47	1,754
9/13/99	500,000	3.84	3,156
11/15/99	500,000	3.71	1,525
3/20/00	225,000	4.49	1,661
Total	**2,225,000**		**13,854**

Recommendation 1: Improving Cash Flow
As a means of improving cash flow, we recommend the town consider converting to a quarterly tax billing cycle. Quarterly tax billing was created to provide communities with the means to achieve more evenly distributed revenue collections during the year, to increase investment income potential and to reduce, or eliminate, tax anticipation borrowing costs. As an additional benefits, a town is given until December to approve its tax rate and homeowners can budget for smaller, although more frequent payments.

[19] This listing does not include borrowing in anticipation of Chapter 90 reimbursements and short-term borrowing for capital purposes.

A preliminary bill based on the prior year tax rate is mailed July 1 and an actual bill, adjusted to the newly approved tax rate, is mailed December 31. Quarterly tax payments are due on the first of August, November, February and May.

The table below illustrates how investment income can be increased. Using the town's FY2001 total tax levy of $2,771,841and an investment return of five percent based on the Massachusetts Municipal Depository Trust (MMDT)[20], the town could potentially realize **$8,229** in additional interest income by November 1, 2000. In comparison, Ashby usually does not begin receiving tax payments until late October under the semi-annual tax payment system. As a result, tax payments do not begin earning interest until the fall.

TABLE 5: INTEREST EARNED BY NOVEMBER 1, 2000	
FY2001 Tax Levy	**2,771,841**
Amount anticipated to be received by August 1, 2000 (using a 95% collection rate)	2,771,841 / 4 = 692,960 x .95 = **658,312**
Estimated interest earned by November 1, 2000	658,312 x 5.0% = 32,916 / 4 *(3 months)* = **8,229**
Estimated interested earned by May 1, 2001	**8,229**

The potential interest income would be partially offset by an increase in staff time in the collector's office during two additional payment periods. The assessors must record real estate transfers and lot splits prior to July 1 each year—or about four months earlier than the semi-annual billing system. However, efficiencies can be gained by including two quarterly bills in mailings in July and December. In addition, quarterly billing could eliminate the need for cash flow borrowing; on average, the town has spent about $5,500 per year in interest charges on short-term notes. The experience of most communities is that the revenue gain out-weighs the additional program cost.

[20] The Massachusetts Municipal Depository Trust (MMDT) is an investment pool created by the Commonwealth under the supervision of the state treasurer's office.

ACKNOWLEDGEMENTS

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Lee Mikkola, Collector
James Ross, Auditor
Linda Sanders, Town Administrator
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