



Town of Bolton

Financial Management Review

Municipal Data Management and Technical Assistance Bureau

March 2000

visit our website at

<http://www.state.ma.us/dls>

Table of Contents

INTRODUCTION	3
TOWN OVERVIEW	4
SUMMARY OF PRIMARY REPORT RECOMMENDATIONS	8
TOWN GOVERNMENT STRUCTURE.....	9
FINDING 1: SEPARATING TREASURER AND ACCOUNTANT FUNCTIONS	9
FINDING 2: TIMETABLE FOR A NEW ACCOUNTANT	11
FINDING 3: RESTRUCTURING FINANCIAL OFFICES	12
FINANCIAL MANAGEMENT	14
FINDING 1: FINANCIAL MANAGEMENT TEAM.....	14
FINDING 2: THE BUDGET PROCESS.....	15
FINDING 3: REVENUE / EXPENDITURE FORECASTS.....	16
FINDING 4: CAPITAL PLANNING	17
FINDING 5: BALANCING RESERVE FUNDS	19
COMPUTERS AND SOFTWARE	22
WARRANT APPROVAL PROCESS.....	23
FINDING 1: TIMELY APPROVAL OF WARRANTS	23
REGULAR REPORTS.....	24
COLLECTOR'S OFFICE	26
ASSESSOR'S OFFICE	28
FINDING 1: INSPECTION OF PROPERTIES	28
FINDING 2: QUARTERLY TAX COLLECTIONS	31
ADDENDA	32
DELINEATION OF PRIMARY RESPONSIBILITIES: ACCOUNTANT AND TREASURER.....	33
ACKNOWLEDGEMENTS	35

INTRODUCTION

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

We have based our findings and recommendations on site visits by a Technical Assistance team consisting of staff from the Division's Bureau of Accounts, Bureau of Local Assessment, and Municipal Data Management & Technical Assistance Bureau. During these visits, the team interviewed the members of the board of selectmen and advisory committee, the tax collector, treasurer, assistant treasurer, principal assessor and staff members, as available, in each office. Among others interviewed were the town coordinator, the administrative assistant, the town clerk, the police chief, DPW director, chair of the conservation commission and the chair of the long range planning committee.

Division staff examined such documents as the tax recapitulation sheet, town reports, annual budgets, balance sheets, cash reconciliation reports, statements of indebtedness, town meeting minutes in addition to other assorted financial records.

In reviewing the town's financial management practices, we have focused on: (1) town government structure in the context of the duties and responsibilities of financial officers; (2) the town's budget and capital planning processes; (3) the degree of coordination and communication that exists between and among boards, officials and staff involved in the financial management function; and 4) the general efficiency of financial operations measured by the town's success in maximizing resources and minimizing costs.

We encourage the board of selectmen, when formulating overall strategies for improving the town's financial management, to consider the observations, analyses and recommendations contained in this report. These are recommendations only and can be implemented, at the town's option, provided there is sufficient cooperation among town boards and officials. However, in our view, the town is compelled to act to alter the current structure of town government in a way that separates accountant functions from the duties and responsibilities of the treasurer's office. Failure to do so would run counter to the system of checks and balances established by statute and would continue to place the town at risk of violating state law.

TOWN OVERVIEW

General - Bolton is a town of about 4,132 people and 19.87 square miles located within the Interstate 495 corridor north at Route 117. Historically a rural mix of forest and farmland, the town is experiencing new residential development and population expansion fueled by a persistently strong regional economy. With the emergence of new employment centers, particularly along the I-495 corridor, families have been drawn to Bolton, and surrounding towns, for reasons of proximity, quality of life, or both.

In Bolton, the impact has been a population increase of 63 percent from 2,530 to 4,132 between 1980 and 1999 based on the town's estimates. In the last five fiscal years, the number of school aged children has increased 25 percent, while the town's appropriation for education has increased 33 percent. Local spending has escalated 54 percent over the same period. As further evidence of growth, the town has issued approximately 50 building permits for new residential construction in each of the last four years. Growth as measured by increases in the town's levy limit averaged 5.2 percent per year in Bolton and 2.2 percent state-wide over the last four years. Bolton's equalized valuation increased 16.8 percent between 1996 and 1998 compared to the state-wide average increase of 8.2 percent. Its equalized valuation per capita (\$134,193) ranks 40th among the Commonwealth's 351 cities and towns, while its tax rate (\$16.41) is slightly below the statewide average (\$16.64).

In 11 years between 1987-1997, the town's total outstanding long-term debt averaged \$289,000 per year. Borrowing reached \$11.6 million in FY98 primarily for the Sawyer School, and increased another \$2.5 million after the December 1999, special town meeting. Other capital projects will also require funding. In particular, the town faces the prospect of building a new police station and expanding town office space, creating sewage treatment capacity at the Sawyer School and along Main Street, developing senior housing and financing open space purchases. At the same time, the town must shoulder 27.4 percent of the \$22.9 million already approved, and an additional request for \$1.45 million, by the regional school district for capital improvements to the high school.

The changes taking place in Bolton are dramatic, but not unique, and represent an experience shared-in-common with other, rural communities caught in the path of booming economic times. By the mere addition of new people into the community, demand increases on existing municipal services, as does stress on infrastructure. With the influx of new taxpayers come divergent views on the role of local government and competing interests on how money should be spent. Combined with the constraints of Proposition 2½ and the continually expanding complexity of local government administration, these factors invariably prompt debate on how a community might optimize its limited resources of time, money and personnel. For Bolton, these circumstances have brought mounting pressure to bear on local government to maintain

levels of service, improve town infrastructure, control new development and preserve the town's rural character, all in a cost effective manner.

Town Government Structure - The town of Bolton is organized under state statutes and is governed by an open town meeting with a 3-member board of selectmen. In addition to the selectmen, elected town officers include the clerk, treasurer and the tax collector. Finance-related, standing committees include a 6-member advisory committee (appointed) and a 3-member board of assessors (elected). All officers and most town hall staff serve on a part-time basis and have historically received strong volunteer support. Within the last year, however, the town expanded the principle assessor's position to full-time status and created a full-time, town coordinator position to assist the board of selectmen. More recently and despite a trend of declining volunteerism, there is an effort to reactivate a previously established, but currently dormant, long range planning committee.

An issue of critical concern is the present circumstance where the Bolton treasurer performs additional duties statutorily assigned to the town accountant. This runs contrary to acceptable municipal practice and counter to the system of checks and balances intended by state law. Because of the commitment of the current treasurer, who has held the office for 24 years, the system has functioned without problems. However, the treasurer has expressed his intent to resign at the end of his present term (May 2002), or possibly earlier at the town's request. In September 1999, he took up full-time residence in Florida, but has continued in his capacity as town treasurer, including the performance of accountant duties, *in absentia*, with the assistance of an assistant treasurer, who works out of a home office in Bolton.

Overall Financial Management - Payroll and expense warrants are prepared bi-weekly for approval by the selectmen at their regular meeting every other Thursday night. Payroll checks are cut by an outside payroll service, returned to the town and mailed every other Wednesday, before warrant approval. Expense checks are cut in-house pursuant to the bi-weekly warrant and are typically mailed on Friday. Frequently, the expense warrants are not approved by the selectmen prior to checks being mailed.

The budget process in Bolton begins in December of each year with the preparation of appropriation requests by department heads. To guide the advisory committee in its line item review of requests, the town treasurer presents his projections, in January, for revenue, expenses, free cash, debt and a likely tax rate in the form of a preliminary recap sheet. The advisory committee prepares a working budget and arrives at recommended funding levels through agreement or negotiation with department heads. It meets regularly with the selectmen during the review period and formulates a budget document for presentation to the selectmen and approval of town meeting.

Capital planning is conducted on an ad hoc basis. Department heads are asked to provide some indication of future capital needs to the advisory committee during the budget process. Where there is a sense of immediacy, individual items are evaluated by the selectmen and advisory committee and, if approved by the selectmen, placed in the town meeting warrant. Otherwise, there is no formalized review process for anticipating or prioritizing town-wide capital improvement needs. Nor is there a comprehensive forward looking process, such as revenue and expenditure forecasting, that can help the town determine its financial course. The lack of a long range financial planning process tends to result in more frequent special town meetings and more congested town meeting warrants, particularly with capital expenditure articles.

At present, financial policy is informally set by the treasurer and budget guidelines emerge, in January, after the treasurer's presentation of the town's financial picture. Outside the budget period, there is no framework in place to coordinate overall financial management, policy formulation or early budget guidance. Now, with the departure of the town's treasurer/accountant, a significant leadership void will occur and it's unclear how issues of financial policy will be decided.

In the day-to-day administration of the town's business, offices run well, but efficiencies could be gained in the area of computers and software. Limited networking or, at least, a transition to compatible software packages in the collector and assessor offices would allow the immediate transfer of data and would eliminate the need for the collector to perform certain manual tasks. The assessor is new to the office and learning its responsibilities. Important goals include establishing a procedure for property data collection and attaining the proficiency necessary to complete annual adjustments and property revaluations in-house. While the production of regular reports by the treasurer/accountant's office has improved, there are continued concerns about timeliness.

Conclusion - First and foremost, the town is compelled to create an independent accountant position separate from the treasurer's role. As the next priority, the town must address its warrant process which allows the issuance of payroll and expense checks before warrant approval.

Otherwise, the town of Bolton is effectively managed, but is also correct in seeking ways to impose structure and gain efficiencies as local issues become more complex and as demands on local government increase. Specifically, there is a striking need for structure in the area of financial management, particularly upon the departure of the treasurer/accountant. Toward this end, the town should expand the role of the town coordinator to include direct responsibilities for overseeing and participating in the financial management process. The town should create a financial management team, as well. Revenue and expenditure forecasting, together with a capital improvements program and a long range planning effort, would provide a needed basis,

now absent, for the formulation of general financial policy and annual budget guidelines. By adopting a schedule for the production of regular reports, the town could monitor its financial affairs throughout the fiscal year.

In this context, our recommendations are summarized on the following page. Together, they represent a series of steps intended to increase the capabilities of the current town administration to cope with growth and change. At the same time, they offer a framework for financial management that will remain in place and provide stability over time, as officers, boards and committee change.

SUMMARY OF PRIMARY REPORT RECOMMENDATIONS

- 1) CREATE AN INDEPENDENT, PART-TIME ACCOUNTANT POSITION WITH OFFICE HOURS IN TOWN HALL. [PAGE 9]
- 2) ELIMINATE THE AUDITOR'S OFFICE AT THE END OF THE CURRENT ELECTED TERM. [PAGE 10]
- 3) AT THE APPROPRIATE TIME, COMBINE THE TREASURER AND COLLECTOR OFFICES INTO A SINGLE, APPOINTED POSITION. [PAGE 12]
- 4) ESTABLISH A FINANCIAL MANAGEMENT TEAM TO MONITOR TOWN FINANCES. [PAGE 14]
- 5) EXPAND THE ROLE OF THE TOWN COORDINATOR TO INCLUDE FINANCIAL MANAGEMENT AND BUDGET COORDINATION RESPONSIBILITIES. [PAGE 15]
- 6) INCORPORATE LONG-RANGE REVENUE AND EXPENDITURE FORECASTING INTO THE FINANCIAL MANAGEMENT PROCESS. [PAGE 16]
- 7) ESTABLISH A CAPITAL PLANNING COMMITTEE AND CAPITAL IMPROVEMENT APPROVAL PROCESS. [PAGE 17]
- 8) CREATING A STABILIZATION FUND. [PAGE 19]
- 9) INCORPORATE A LONG-RANGE VIEW OF COMPUTER AND SOFTWARE NEEDS AT TOWN HALL, PARTICULARLY IN REGARD TO THE COLLECTOR AND ASSESSOR OFFICES. [PAGE 22]
- 10) ADOPT A PROCEDURE TO ENSURE THAT PAYROLL AND EXPENSE WARRANTS ARE APPROVED BY THE SELECTMEN BEFORE PAYMENT CHECKS ARE RELEASED. [PAGE 23]
- 11) DEVELOP AN ADMINISTRATIVE MASTER SCHEDULE TO ENSURE THE TIMELY PRODUCTION AND DISTRIBUTION OF REGULAR REPORTS. [PAGE 24]
- 12) CONSIDER THE BENEFITS OF INSTALLING THE STATE CAMA SOFTWARE APPLICATION IN THE COLLECTOR'S OFFICE. [PAGE 26]
- 13) ESTABLISH A PROCESS IN THE ASSESSOR'S OFFICE FOR THE SYSTEMATIC COLLECTION OF PROPERTY DATA. [PAGE 28]
- 14) ESTABLISH A PROCESS IN THE ASSESSOR'S OFFICE FOR COMPLETING ANNUAL ADJUSTMENTS AND TRIENNIAL REVALUATIONS FOR RESIDENTIAL PROPERTIES IN-HOUSE. [PAGE 28]
- 15) CONVERT TO QUARTERING PROPERTY TAX BILLING. [PAGE 28]

TOWN GOVERNMENT STRUCTURE

FINDING 1: SEPARATING TREASURER AND ACCOUNTANT FUNCTIONS

It is the role of town management to make sure that adequate financial controls are in place to safeguard municipal assets. Toward this end, the general laws delineate specific roles for finance officials and describe how these roles interrelate in an effort to provide a system of checks and balances. In many ways, these checks and balances are intended to create a clear audit trail for transactions and to guard against the misappropriation of town funds. As the chief executive officers with broad fiduciary responsibilities, the selectmen must ensure that the town complies with the proper financial procedures contemplated by the general laws.

Among the procedures that impose a series of checks and balances is the town warrant process. Expenses to be paid must be reviewed by the accountant who verifies that they are consistent with the appropriation voted by town meeting. The accountant prepares a warrant detailing the intended payments that must, in turn, be reviewed and approved by the selectmen. Only after the selectmen approve the warrant, may the treasurer issue a check.

In another example, the assessors prepare a property tax commitment for the collector's office that details the amounts to be collected from property owners. At the same time, they notify the accountant of total revenues to be collected through the tax levy. The collector receives tax payments, prepares a turnover sheet detailing amounts collected for the accountant and treasurer, then transfers collected funds to the treasurer. As a check, the accountant regularly reconciles tax receivables with the collector and reconciles cash balances with the treasurer. As a further control, monthly expense reports allow department heads to confirm that expenses are correctly assigned to their account. At year's end, an independent audit checks the accuracy of town financial statements, reviews procedures, and confirms selected transactions.

For the past 24 years, the Bolton treasurer has performed the functions which are typically the responsibility of the town accountant. Given that two vacancies - treasurer and accountant - will effectively occur upon his departure, the time appears ripe for the town to consider what configuration of finance officers, including an accounting function, will best serve the community as it continues to develop and grow.

The town treasurer is elected or appointed and has powers and responsibilities that are set out in the state statutes. The duties of the accountant, who is appointed by the selectmen, are also established in the statutes and do not include those assigned to the treasurer. (Please refer to a "Delineation of Primary Responsibilities: Accountant and Treasurer" included in the addenda to this report). In fact, the language of MGL Ch. 41, § 55 states, in part, that "The town accountant...shall hold no other town office involving the receipt or disbursement of money."

The clear intent of this language, added by amendment in 1997, is that a town accountant cannot also hold the office of town collector or town treasurer.

By separating the legal duties and responsibilities of the collector and the treasurer from those of the accountant, the General Laws establish a system of checks and balances that documents and justifies the flow of money into and out of municipal accounts. Any circumstance that causes these roles to intertwine undermines the intent of the law, raises the risk of potential conflicts and is in violation of the statutes that empower each officer to perform his/her duties.

RECOMMENDATION 1: SEPARATING TREASURER AND ACCOUNTANT FUNCTIONS

In the strongest terms, we recommend that the town of Bolton create a permanent and independent town accountant position. The town may, at town meeting, authorize the board of selectmen to appoint a town accountant pursuant to MGL Ch. 41, § 55. At the same time, the town should amend its by-law (most notably §§ 1.5 and 1.6) and redraft its current job description for the town treasurer to be consistent with the separation of the treasurer and accountant functions. Current by-law language directs the treasurer "to prescribe methods of accounting" and the treasurer's job description states that he "may also perform simultaneous accounting functions for the town." We also recommend the office of town auditor be eliminated, effective at the end of the present auditor's term.

We further recommend that the accountant serve on a part-time basis with office hours in town hall. Accessibility of the town accountant to board members, town officers and department staff on money related issues would facilitate the timely production of regular data reports, allow prompt responses to fiscal questions and contribute in a significant way to the efficient administration of the town's business. The accountant would, in turn, have access to important resources if he/she were asked to complete financial analyses, cost-benefit studies, etc.. We would expect the position to involve 20-25 hours per week and a salary of \$25,000-\$30,000 per year.

We also considered other employment scenarios for a town accountant. Given the town's present size and recognizing that the detailed accounting typically associated with the school system is done at the regional level, we are not persuaded that its bookkeeping, financial analysis and reporting needs justify a full-time position. Alternatively, there are instances in Massachusetts where a single accountant is employed on a part-time basis by more than one community. These sometimes involve small accounting firms, where the principal may or may not have town hall hours, depending on compensation. The principal accountant would be otherwise accessible via phone, fax, beeper or e-mail. The town's information would be transferred electronically or by a pick-up system to the firm's office where support staff would

make entries and generate reports. It does not appear common for this size accounting firm to locate one of its support staff, i.e., a bookkeeper, in a town hall with office hours.

Searching for a balance between cost and accessibility, the town might explore engaging the part-time services of an independent accountant willing to provide limited, but regular town hall hours - say, two days per week. It is likely the candidate for this position would not have an affiliation with an accounting firm, but might be a young CPA or a Bolton resident, with CPA experience, whose personal circumstances lent itself to the job description. While this person may not have significant municipal accounting experience, with the proper aptitude and interpersonal skills, proficiency in the office can be attained.

To begin the search, it is critical that the town first consider the scope of services it seeks from its accountant, then craft a job description and advertise for the position. The town could seek guidance through the experience of other communities, and by reviewing Classified Advertisements for accountant positions published in The Beacon (by the Massachusetts Municipal Association) over the last twelve months. Whether the town can attract its ideal candidate, or might need to modify its job description, would only become apparent after the start of a search.

FINDING 2: TIMETABLE FOR A NEW ACCOUNTANT

It is our impression that the physical departure of the treasurer has had an impact on the operation of town government. At the very least, delays and costs in time and money result when original documents and warrants requiring the treasurer's signature are express mailed overnight to Florida and back. The absence of the treasurer also prolongs response time to questions and requests for information of a fiscal matter from others in town government. The information flow typically passes to the assistant treasurer who must then contact and wait for a response from the treasurer in Florida. As a result, town business stalls.

Despite everyone's current best efforts to ensure that the system works, the distance between the town, its assistant treasurer and the treasurer/accountant does not represent an optimum situation. Disregarding the potential risks due to the amount of time, geographic distance and frequency that information is in transit, simple delays are enough to cause conflict among town officials and negatively impact the efficiency of town government.

RECOMMENDATION 2: TIMETABLE FOR A NEW ACCOUNTANT

We recommend that the town act, as soon as is practical, to authorize the selectmen to appoint a new town accountant. To ease in this transition, we suggest that the current treasurer continue with his duties and responsibilities, with the exception of those passed to the

accountant. We also share local concerns about filling two finance related positions in quick succession. However, in the long-run, we are also mindful of the obstacles created by a treasurer operating in absentia. In this context, the progress of the new accountant and the ongoing efficiency of local government will provide the best indication of when a transition is timely. Our only advice to the town is that delaying this action until the end of the treasurer's current term is too long.

We recommend that upon the departure of the treasurer, the town consider restructuring its finance offices (**see Restructuring Financial Offices recommendation below**). This timetable represents a phase-in of two new people to occupy the offices of the accountant and the treasurer. In general, priority should be placed on establishing and filling the accountant position.

Please refer to a "Delineation of Primary Responsibilities: Accountant and Treasurer" included in the addenda to this report.

FINDING 3: RESTRUCTURING FINANCIAL OFFICES

If the town acts, in accordance with the recommendations of this report, to create an independent accountant position, the time would also be opportune to consider how its interest might be served and how efficiencies might be gained by an alternate structure for its financial offices. In this regard, state statutes permit various combinations. As for trends, 14 communities have received special legislation approval since 1995 to combine the treasurer and collector offices. Currently, at least 170 of 351 cities and towns in Massachusetts favor this structure over other alternatives.

RECOMMENDATION 3: RESTRUCTURING TOWN OFFICES

At the appropriate time, we recommend that the town restructure its financial offices by creating a combined Treasurer/Town Collector Office. Because of the ministerial nature of their respective offices, the lineal aspect of their relationship involving the movement of town revenue, and the opportunity to share staff, we recommend that the town combine the offices of the treasurer and town collector. Efficiencies are gained in the pursuit of tax titles as the staff member, who researched and initiated the process under the collector's function, can carry it forward under the treasurer's function. Eliminated is the need for a new person in a separate office to reinvestigate the account in order to pursue it. A treasurer/collector also has the opportunity to marshal staff in response to periods of heavy activity during the year. Not only does this result in a more efficient use of staff resources, with additional counter support, the public is better served in a highly visible way.

We also recommend the town create a combined treasurer/town collector position as an appointed office. Bolton has been well served by a competent and knowledgeable town treasurer/accountant during an extended period when demands on the office have become expansive and complex. Today, a town treasurer requires a depth of knowledge in cash management, institutional investment, record keeping systems, and computer software programs. As a collector, he must also be methodical and aggressive in the collection of revenue and accurate in the maintenance of records. Therefore, as the town seeks to fill the treasurer and/or the treasurer/collector position, its interests are best served by expanding, to the extent possible, the pool from which a prospective candidate is likely to emerge.

As an appointed position, the town can solicit candidates from beyond its boundaries. The board of selectmen can conduct interviews and make an informed judgment in filling the position. As an elected position, the office may, or may not, attract a person from within the town's population with the strongest credentials or most relevant professional experience. On balance, many communities justify a decision in favor of an appointed office because of the critical role municipal finance now plays in determining a town's fiscal security and quality of life.

The creation of a combined treasurer/collector position as an appointed rather than elective office requires the approval of special legislation by the General Court.

Costs - The town currently compensates its part-time treasurer \$22,000 per year and its part-time collector \$6,836 per year, or \$28,836 in total for the two positions. Compensation for a part-time treasurer/collector (25-30 hours per week) would likely range from \$30,000 to \$35,000 per year. In FY00, the collector's part-time clerk is paid \$6,500 per year and the part-time, assistant treasurer receives \$14,500 per year.

FINANCIAL MANAGEMENT

FINDING 1: FINANCIAL MANAGEMENT TEAM

During much of his tenure, the Bolton town treasurer/accountant has been heavily relied upon to play a major role in the financial management of the town. With his planned departure, a significant void will arise. Therefore, it is imperative that the town consider how best to replicate the role previously filled by the treasurer and to establish a framework for on-going financial management that will remain intact as changes occur over time among town boards and offices.

Each January, as part of the budget process, the treasurer meets with the selectmen, advisory committee and interested department heads, to present his analysis of revenue estimates and free cash projections for the next fiscal year. He also offers his recommendations relative to appropriation levels and proposes a potential tax rate for discussion and approval. The treasurer's "state of the town" presentation is a useful tool in monitoring the town's financial condition. In his absence, the town will be without anyone to perform or coordinate this critical function. While the current practice has placed the town in a secure financial position and earned it a strong bond rating, continually changing circumstances warrant a more methodical approach to financial management.

RECOMMENDATION 1: FINANCIAL MANAGEMENT TEAM

To advance the town's financial management process, we recommend that the town establish a financial management team. We suggest that the members of the financial management team include the town coordinator, treasurer, collector, accountant and principal assessor. **(see Capital Planning recommendation below)**. The town coordinator should function as the committee's chair.

The financial management team would function as a resource to the board of selectmen, advisory committee and school committee as each formulates policy. The periodic review of comprehensive financial data possessed by team members would produce a snapshot of the town's then-current financial status. The team would conduct cash flow analyses as well as analyze the financial impact of future events. It would identify critical junctures and offer early strategies to deal with anticipated areas of concern. It 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.

We want to emphasize that our recommendations are not intended to place the town coordinator, the financial management team or its members in a policy-making role. That

responsibility rests with the board of selectmen, advisory committee and school committee. Instead, their roles should be advisory and administrative in a way that provides information to boards and committees for use in policy development, and to assist in the coordinated implementation of policies. Nor are the recommendations to create a financial management team intended as an organizational change redirecting lines of authority over all department heads. Rather, our recommendations are intended to open formal channels of communication and contribute to the successful coordination of town's financial management.

FINDING 2: THE BUDGET PROCESS

In December of each year, the budget process begins for the subsequent fiscal year when an appropriation request form, together with a budget calendar, is forwarded to each of the town's department heads from the board of selectmen. The form identifies all line items within the department budget with columns to enter actual prior year spending, current year budget and upcoming year request. The completed form is returned, by a set date in mid-January, for review by the advisory committee.

At the direction of the advisory committee, the administrative assistant (that it shares with the board of selectmen) prepares a working budget based on the department requests. After the January meeting with the treasurer, the advisory committee reviews each appropriation request, by line item, with the various department heads. Continuing through March, the advisory committee meets regularly with one or all the members of the board of selectmen and upon completion of its review, prepares the budget document for presentation to town meeting. Throughout this process the administrative assistant plays a major role in gathering appropriation requests, preparing a budget package for the advisory committee members and selectmen, scheduling interviews for department heads and incorporating final requests into a master budget document.

The completed budget document identifies line-item department funding for the current year, together with the amount requested (by the department) and the amount approved (by the advisory committee) for the upcoming fiscal year. Typically, the amount requested is a meaningless number. It is automatically entered as equal to the approved amount, which is arrived at through negotiation or agreement between the advisory committee and the department head. Not included is the original funding request of the department head that may vary from the indicated amount requested and the final amount approved by the advisory committee.

RECOMMENDATION 2: THE BUDGET PROCESS

We recommend that the town expand the role of the town coordinator to include budget coordination responsibilities. We also recommend that the selectmen and the advisory committee establish budget guidelines at the start of the budget process.

Budget Coordination - The town coordinator should have a central role, on a substantive level, in the coordination of the annual budget process. In this regard, he should serve as liaison to department heads and serve a clearinghouse for budget information. Issues raised by department heads involving budget policy or process should be directed to the town coordinator and resolved before the appropriation request is placed before the advisory committee. The administrative assistant should continue to coordinate the important ministerial aspect of budget process.

Develop Budget Guidelines - Through the on-going effort of the financial management team, the selectmen and the advisory committee should be armed with sufficient financial data and analyses to arrive at budget guidelines prior to the start of the budgetary process. Based on long range forecasting and preliminary annual projections of available revenue, free cash, program costs, capital needs and debt levels, policy decisions can be made and passed along to department heads. The guidelines would supplement the appropriation request form used by the town which identifies, by line-item within each department, the actual prior year spending, the current year budget and upcoming year request. The purpose of the guidelines would be to establish budget parameters for department heads to assist them in preparing budgets consistent with the town's overall financial goals.

FINDING 3: REVENUE / EXPENDITURE FORECASTS

Revenue and expenditure forecasting is an important task that works hand-in-hand with capital planning and debt management in developing a strong fiscal blueprint for the town. Long-range forecasting contributes in a significant way to the annual budget process by helping the town determine whether it should reduce, level fund or expand services. At present, the treasurer manages the town's debt schedule, but capital planning is conducted on an ad hoc basis and there are no revenue and expenditure projections beyond one year.

RECOMMENDATION 3: REVENUE / EXPENDITURE FORECASTS

We recommend that the financial management team develop a five-year revenue/expenditure forecast, and review and update projections each year. Responsibility for gathering data necessary from town departments and for making initial assumptions about future trends would

fall to the town coordinator and financial management team. The steps in completing a long-range revenue/expenditure forecast are generally as follows:

- Identify and list all major revenue sources and expenditure accounts as line items
- Collect and enter three years of historical data on a grid for analysis
- Analyze year-to-year trends by line item focusing on annual dollar and percentage changes, and accounting for aberrations or dramatic fluctuations
- Analyze the historical relationship between line items or groups of line items, i.e., the ratio of local receipts to total revenue, school costs to total expenditures, etc.
- Analyze town services, contracts and programs with an eye toward whether cost increases or decreases are likely to occur
- Review the town's capital planning program
- Analyze the impact of outside forces: state-aid, economic trends, local growth and development, changes in laws, regulations or local policies
- Project revenue and expenditures based on a "maintenance budget" approach which projects level staffing and services
- Adjust projections for new, expanded or terminated programs, projects, services or contracts, and for overall historic trends
- Each year, incorporate new data for the year just completed, review subsequent year projections and expand projections by one year

For further guidance on long range forecasting, we refer the town the Finance Committee Handbook, published by the Association of Town Finance Committees.

FINDING 4: CAPITAL PLANNING

According to town officials, capital planning is, more or less, conducted on an ad hoc basis. Working from information provided by departments heads and general knowledge of other anticipated capital needs, the selectmen decide what items to place in the warrant for town meeting consideration. The board receives input from the advisory committee and is offered some sense of priority from the department heads proposing the expenditure.

It has been the town's history to place all capital requests in the warrant and with few exceptions virtually all receive town meeting approval. It is the stated policy of the selectmen to convene special town meetings only for non-money, housekeeping matters. Nonetheless, the process has been exploited by many with an interest to place additional capital projects before the town.

In recent years, the town has convened up to four separate special town meetings per year, often devoted to capital issues. A comprehensive needs assessment and an analysis of the town's ability to pay would help town meeting members understand priorities and make decisions about important capital projects.

The town established a long-range planning committee in October 1998, but the committee lost momentum before completing any task. It has been recently resurrected under new leadership and with an intent to focus on town-wide growth issues. The town has also established other committees in the past to study the police department, open space, historical preservation and the ambulance service (currently underway). While the town should be commended on the success of these individual committees, lacking is a town-wide, coordinated effort or process to anticipate and prioritize long-range capital needs.

RECOMMENDATION 4: CAPITAL PLANNING

We recommend that the town, through the adoption of a by-law, create and empower a capital improvements program (CIP) committee pursuant to MGL Ch. 41, § 106B. Various options are available to cities and towns in deciding the make-up of a capital planning committee. In some communities, members are town officials who already serve on the board of selectmen, advisory committee, school committee, planning board and so forth. In other communities, committee members are drawn entirely from the general public. A mix is also possible. In any event, we recommend the town coordinator be included as an ex-officio member.

The goals of the capital planning committee would include, but not be limited to, the following:

- Prepare an inventory of existing town facilities, real estate and other assets (condition, life span, utility, maintenance schedule)
- Determine the status of previously approved capital projects;
- Assess the town's financial capacity (available reserves, borrowing limits);
- Solicit, complete and evaluate project requests;
- List projects in order of priority;
- Develop a CIP financing plan and adopt a long-term capital improvement program.
- Monitor approved projects; update the capital improvement plan annually

(Source: Developing A Capital Improvements Program, prepared by the Municipal Data Management / Technical Assistance Bureau, Department of Revenue)

The capital improvement plan would dovetail with revenue/expenditure forecasts and serve as a basis for the formulation of budget guidelines each year. At the same time, the town would gain an accurate measure of its present financial condition, and meaningful insight into its immediate and long-range future.

FINDING 5: BALANCING RESERVE FUNDS

Through informal policy, the town of Bolton has traditionally chosen to fund an advisory committee reserve fund (under MCL Ch. 40, §6) and to produce significant free cash to cover contingencies, unforeseen expenses to fund capital projects, or to supplement annual town revenue. In 1994, the town created a separate capital reserve account to receive revenue generated under a land lease to Cell One for a communication tower. The use of this money is intended for the purchase of capital equipment or property. In contrast, DOR records for the last 12 years show that the town has chosen to exclude a stabilization fund from its financial planning. The chart below displays the town's history of funding reserves.

Bolton Reserve History

	FY95	FY96	FY97	FY98	FY99	FY00
Reserve Account		55,000	100,000	100,000	100,000	125,000
percent of budget		0.9%	1.3%	1.3%	1.1%	1.3%
Certified Free Cash	439,551	643,701	(651,200)	1,457,242	1,574,309	
percent of budget	7.6%	10.0%	-8.7%	18.6%	16.7%	
Capital Reserve (tower):			70,055	119,449	175,021	
Stabilization Fund	0	0	0	0	0	0

A **stabilization fund** is created under MGL Ch. 40, § 5B. Subject to limitations, the town places funds in stabilization by majority vote and transfers money out for any lawful purpose by two-thirds town meeting vote. The fund balance remains in the account from year to year and can be invested, earning income. Most often, communities use stabilization as a savings account to cover unforeseen costs, or as a repository for annual appropriations intended to offset the cost of a major project anticipated in the future.

Free cash (IGR 86-104) represents community funds that are unrestricted and available for appropriation, by town meeting, as of July 1 of each year. Positive free cash generally results when revenue collections are in excess of estimates, when actual expenditures are less than appropriations, or both. Free cash cannot be appropriated for use by the town until certified each year by DOR and this occurs only after the town submits its balance sheet for review.

The town of Bolton has often delayed submission of its balance sheet until December, and as late as March, which has produced a corresponding delay in its free cash certification. However, in the last three fiscal years including FY00, the town has unlawfully appropriated free cash, prior to its certification, for operating and capital costs at special town meetings.

(MGL CH. 59, § 23). We believe that, in part, the town's use of free cash prior to certification was necessitated by the lack of other available funds, such as the stabilization fund.

Reserve funds are established under MGL Ch. 40, § 6, placed under the control of the advisory committee and intended for "extraordinary or unforeseen expenditures." Any unused balanced is closed out at year-end and the account must be refunded the following year.

Capital reserve accounts require special legislation. At its May 1, 1995 town meeting, the town accepted the Cell One lease agreement and directed that lease proceeds be deposited in a capital reserve fund. However, there is no evidence that special legislation necessary to authorize creation of the reserve fund was filed or approved by the state legislature. In the absence of legislative approval to establish the capital reserve fund, the proceeds from the lease are regarded as general revenue and must be deposited to the general fund.

From a financial management perspective, when free cash is inaccessible because it is not certified, the town is limited in its ability to produce funds needed to cover additional, emergency or unforeseen expenses that arise early in the fiscal year. Under these circumstances, prudent financial practice would promote a balance between and among the various vehicles for maintaining contingency funds. Free cash offers flexibility, but is sensitive to general economic conditions, may vary from year-to-year and is only available upon certification. The conservative revenue projections that result in more free cash than anticipated, and the aggressive expense estimates that exceed actual costs and result in budget turnbacks in today's economy may not produce the same results during tight budgetary periods. In a sluggish or declining economy, actual revenues are likely to decline as expenses remain static in order to sustain service and program levels. The result will be less free cash. As a financial strategy, stabilization can operate as a year-round hedge against economic conditions that do not allow replenishment of free cash.

Statewide data representing the free cash and stabilization fund experience of all cities and towns over the last 12 years are shown in the next chart. During the recessionary years of the early 1990s, total available free cash declined noticeably as a percentage of total state spending, compared to the stronger economic periods before and after.

On the other hand, cities and towns have demonstrated a commitment to stabilization funds. In the last 12 years, average total stabilization fund balances, and stabilization fund balances as a percentage of total budget, have been relatively consistent irrespective of economic conditions. Over the same period, the number of communities with stabilization funds increased from 76 percent of all cities and towns in FY87 to 93 percent in FY98.

State-Wide Averages - All Cities and Towns

FY	FC % of Spendingt	Stabilization \$ (SB)	% of Spending	% C/T W/ SB
87	4.2%	283,880	3.1%	76%
88	4.7%	331,121	3.2%	85%
89	4.1%	349,027	3.2%	86%
90	2.9%	319,613	3.2%	88%
91	3.0%	297,373	2.9%	89%
92	1.9%	275,312	2.8%	90%
93	1.8%	283,738	2.8%	89%
94	1.9%	293,660	2.9%	89%
95	2.2%	353,303	3.0%	90%
96	3.1%	450,860	3.5%	92%
97	3.2%	581,569	4.1%	93%
98	3.4%	791,783	2.5%	

RECOMMENDATION 5: BALANCING RESERVE FUNDS

We recommend that the town create a stabilization fund with the following considerations:

- Consider using free cash as a funding source when free cash exceeds 3-5 percent of the budget.
- Help build stabilization by appropriating an amount equal to the projected Cell One lease proceeds for the upcoming year and use these receipts or estimates on the tax recap sheet as the funding source. If lease proceeds are not used on the recap sheet, they are deposited to the general fund and will flow to free cash. A corresponding appropriation can be made from free cash the following year.
- Use the estimated cost of anticipated major projects as one guideline for establishing how much should be placed in a stabilization fund.

We also recommend that the town take action relative to the capital reserve fund associated with the Cell One lease. We are aware of no evidence that this is a legally established capital reserve fund. Consequently, the town has the option of formally petitioning the General Court seeking the approval of special legislation to create the fund, or closing the capital reserve account and directing the lease proceeds to the general fund. Once in the general fund, the revenue would flow to free cash.

In any event, it is our observation the town of Bolton has achieved a comfort level with the conservative approach to budget projections put forth each year by its treasurer. With this in mind, implementation of our recommendations for balancing reserve accounts neither contemplates nor assumes a change in this approach.

COMPUTERS AND SOFTWARE

At present, the town offices involved in the collection, reporting and analysis of financial data operate separate and incompatible software programs. The assessor's office uses the DOS-based version of the State Computer Assisted Mass Appraisal software (CAMA). The collector utilizes software developed by Sumaria Systems, Inc. and the treasurer/accountant uses software developed by Vadar Software Systems, Inc. for operating expenses, and software provided by Harpers, Inc., for payroll management.

Software packages appear to function effectively and as intended for each respective department. Town officers and department clerks also demonstrate proficiency in entering data, generating reports and utilizing analytical tools available with each software package. Shortcomings noted to us were relatively few. As an example, in producing an accounts payable warrant report on screen, Vadar Systems software does not display the ending balance for the department account or line item. The remaining balance is, however, included on the printout of each department's monthly expenditure activity. Of more concern is the need to send the assessor's commitment list and motor vehicle excise data off-site to be reformatted so that it can be loaded into the collector's software application.

To achieve optimum efficiency, all town computers should be connected and software packages should be compatible. Electronic communications would then be enhanced, data transfer would be immediate and information displayed on all computers would be up-to-date. However, the physical characteristics of the town hall do not facilitate building-wide computer networking and all encompassing software applications are usually cost-prohibitive for small towns. For these reasons and because the town's systems appear to perform adequately, we do not recommend wholesale changes to computers or software.

The town has purchased a Geographical Information System (GIS). Once implemented, the package will integrate tax map information with overlays for the highway department and conservation commission. In addition, the assessor has requested an upgrade of the department's current DOS-based CAMA software to a new Windows-based version from DOR.

We do recommend that the town incorporate computer upgrades, including software, into its long-range capital-planning program. This would prompt an annual review of the town's computer capabilities in the context of the rapidly advancing technology available to communities. It might also lead to some incremental or targeted changes that would create efficiencies. For instance, because the collector's office and the assessor's office are adjacent, their respective computers could be networked. If the state CAMA software were also installed in the collector's office, instantaneous data transfer would occur between computers. Efficiencies would be gained and conversion costs, though modest, would be saved.

WARRANT APPROVAL PROCESS

FINDING 1: TIMELY APPROVAL OF WARRANTS

Under current practice, the assistant treasurer receives employee hour and wage information from department heads and prepares the town's payroll warrant by the end of the Monday workday, every other week. The data is transferred to Harper's Payroll Service and by Tuesday funds to cover direct deposits are transferred to the town's bank and available to employees by Wednesday morning. At the same time, checks are cut and returned to the town to be hand delivered on Wednesday. On Thursday, the payroll warrant is placed before the selectmen for their approval. Expense warrants are prepared on a similar schedule, but checks are cut in-house and held until Friday when they are mailed. Ideally, expense warrants would be approved at the Thursday night selectmen's meeting before being mailed on Friday. However, often times, expense warrants are not approved by the selectmen for another two weeks.

The current practice of issuing payroll and expense checks prior to warrant approval by a majority of the selectmen is in violation of MGL Ch. 41, §§ 52 & 56 and circumvents an important financial control. However, in regard to the payroll warrant, the treasurer must also be cognizant of Ch. 149, § 148 which requires payment to employees within six days of the termination of the pay period.

RECOMMENDATION 1: WARRANT APPROVAL PROCESS

We strongly recommend that the board of selectmen act to bring the town's warrant approval process into compliance with state law. This might be accomplished by shifting the selectmen's regular meeting to a time earlier in the week and instructing Harper's to hold fund transfers until the morning after warrant approval. The present schedule of administrative procedures involving payroll verification, warrant preparation and data transfer to Harpers would support this timetable. However, employees would have access to direct deposit funds and would receive checks a day later than is currently the case. An alternative would have any two of the three selectmen approving the payroll or expense warrant outside of the board's regular meeting. Typically, selectmen would travel individually to town hall to sign the warrant.

REGULAR REPORTS

The timely production and review of financial reports helps a community track revenues and expenditures as well as measure its financial performance against expectations as reflected in the budget. In addition to the reports requisite to a sound accounting system, those required by DOR and independent audits, interim financial statements should be developed for internal town use. In this way, the town can monitor its financial status, manage its cash or debt and avert problem areas.

Among the more useful sources of financial information for department heads and town officials are monthly expenditure reports and revenue reports. Important reports due DOR include the annual balance sheet, recap sheet, Schedule A and cash reconciliation reports.

It is our understanding that progress has been made in the production of monthly **expenditure reports** by the assistant treasurer. Upon completion, reports are distributed by hand and delivered by mail, but there are lingering concerns about timeliness. **Revenue reports** are not generally available for distribution, but are maintained in Florida on personal spreadsheets by the treasurer.

A town may submit its **balance sheet**, which serves as the basis of its free cash certification, anytime after the close of its fiscal year. As discussed earlier in this report, Bolton typically submits its balance sheet later than most communities, which impacts certification and access to its free cash. Beginning in FY01, as an additional reporting requirement for free cash certification, DOR will require **reconciliation** of balances for all receivables listed by the collector at the close of fiscal year with those listed by the accountant.

In regard to its **Schedule A**, DOR records show that the town of Bolton has often missed filing deadlines recent years. By state law (MGL Ch. 58, § 18F), DOR can withhold quarterly state aid payments from any community for failure to submit its Schedule A. On the other hand, the town is among the first communities each year to submit its **recap sheet**, and receive certification of its tax rate.

Together, whether generated for internal purposes or for submission to the state, the reports identified above can provide useful information for the town's policy makers and managers.

RECOMMENDATION 1: REGULAR REPORTS

We recommend that the selectmen, working with the advisory committee and newly formed financial management team, develop a master list of regular reports to be completed, establish a distribution list and distribution mechanism, and commit to a schedule of deadlines for their

production. At a minimum, the board of selectmen, the advisory committee, town coordinator and appropriate department heads should review these reports. The town coordinator, acting on behalf of the selectmen, would oversee the process.

Monthly Expense Reports - It is the statutory duty of the accountant to prepare a monthly expenditure report for department heads and policy makers showing total appropriations, expenditures, and balances for each account.

Monthly Revenue Reports - The accountant is not required to produce periodic reports for distribution comparing actual revenue collections to budgeted revenues. However, such a report can provide meaningful insight into fiscal year trends, and serve as an early warning system for revenue shortfalls. This information is also valuable when determining revenue estimates during the budget process.

Balance Sheet - As a matter of good financial management, communities are encouraged to close the books on the fiscal year and submit a balance sheet and reconciliations of receivables to the state as soon as is practical.

Schedule A - By promptly closing books for the fiscal year, the town can complete and submit its Schedule A thereby avoiding the risk of penalties that might impact cash flow.

Account Reconciliations - With the new state requirement to reconcile all receivables at the end of the fiscal year, there is an incentive for the collector or treasurer to complete interim reconciliations with the accountant at the end of each month or quarter. Together with quarterly cash reconciliations, the frequent reconciliation of receivables will make it easier to locate and correct any posting or reporting errors, and will help ensure that the town's financial records are accurate.

COLLECTOR'S OFFICE

The Collector's office is staffed by a part-time, elected tax collector, who has held the position since 1987, and one, part-time clerk. Office hours for the collector are the regular town hall hours, while the part-time clerk maintains a variable schedule built around the ebb and flow of demand, that is, her hours per week increase during tax collection periods and decrease during other times. In FY00, the office collected taxes for approximately 1,993 real estate parcels and 140 personal property parcels on a semi-annual basis, and in excess of 4,500 for motor vehicle excise tax bills. The collector also pursues delinquent tax accounts, receives parking fines (20 or so per year) and issues municipal lien certificates (about 200 per year). Collections are posted to a cash book maintained on computer, with a tape backup.

The collector's office uses software developed by Sumaria Systems, Inc., for data storage and retrieval. The assessor, who uses the state CAMA software package, provides the commitment list on floppy disk to the collector, who forwards it to Vista, Inc (Exeter, NH) for conversion to the Sumaria format. The collector receives the converted data via modem in 6-7 days, downloads it into the system and creates a back up on a Colorado Back-Up Tape system. In the meantime, the assessor prints four copies of the real and personal property tax bills for the collector to mail. Although there is a time issue and cost (\$50 per conversion) associated with file conversion, Bolton tax bills are usually mailed within two-to-three weeks of receiving tax rate certification from DOR. Whether the assessor or collector prints the property tax bills is usually dependent on the capability of their respective software. In this instance, the collector's Sumaria software does not have bill printing capability.

Upon the receipt of tax payments, "payment packets" are created and payment detail is keyed into the Sumaria software. The collector or assistant collector reconciles the packet total, as reflected on a running tape, with the total posted to the computer software. Once verified and posted, a check for the entire amount is drawn to the treasurer. Because real estate tax collections for the first half bill are not available to the assessor's software, second half bills are printed with the "amount due" box left blank. The collector manually inserts the second half tax due based on first half activity as posted in the collector's software package.

Kevin Bolduc (Lowell, MA), a deputy collector, retrieves Bolton motor vehicle excise tax information from the State Registry of Motor Vehicles. Each year, he prints the excise bills and forwards them with a data disk to the town. The excise tax bills are mailed and the data is sent to Vista, Inc. for conversion to the collector's Sumaria format. Typically, less than three days elapse from the time the data disk is sent for conversion and loaded in the collector's software.

As a cash saving mechanism, the collector's office confirms deeds, schedules advertising and completes other tasks necessary to placing properties in tax title, thereby eliminating the expense of an outside attorney.

Although the collector's office functions smoothly, the office would benefit if it utilized the state CAMA software. The immediate exchange of tax and collection data with the assessor's office would be possible and the need for manual entries on second half bills would be eliminated.

ASSESSOR'S OFFICE

The town of Bolton elects a 3-member, part-time board of assessors which guides and directs the overall policies of the department. Day-to-day office supervision is carried out by a full-time, principal assessor (40 hours/week) and a part-time clerk (21± hours/week). Until the appointment of the current office holder, the Bolton principal assessor served on a part-time basis.

The assessing department is primarily responsible for placing values on all real and personal property within the town for tax purposes. In Bolton, the task involves 1,993 total parcels of which 1,351 are improved residential, 15 are improved multi-use parcels, 35 are improved commercial/industrial and 452 are unimproved land. There are also 140 personal property accounts. In total, 1,401 parcels are improved. Of the town's FY00 total assessment, 87.1 percent is attributable to residential properties, 10.7 percent to commercial/industrial properties and 2.2 percent to personal property. The town also has about 90 arms-length, real estate transactions per year and issues approximately 200 building permits per year, on average, of which 50 or so are for new residential construction.

The principal assessor began in the position just over one-year ago with no prior assessing or appraisal experience. He is a certified public accountant by training and arrived with a knowledge base in computers. He gets support from the three board members who assist with property re-inspections, and from the clerk, who has worked in the office since 1996. She is responsible for all aspects of personal property, exemptions, assists in data entry and provides counter support. Although the assessor has acclimated well to his duties over the last 12 months, another revaluation year may have to pass (FY03) before he has a firm grasp of the demands and requirements of the office. In the interim, it is essential that the assessor organize his time and develop a clear priority of tasks to be accomplished. Particular emphasis should be placed on the inspection of properties.

FINDING 1: INSPECTION OF PROPERTIES

The lifeblood of the assessor's office is property information. Unless accurate and up-to-date, the reliability of assessments, annual value adjustments, new growth estimates and tax recap submissions is undermined. In the normal course of his duties, the assessor gathers property information through, 1) the inspection of recent sales, 2) the inspection of properties where building permits have been issued, and 3) pursuant to a cyclical re-inspection program mandated by the state.

Among the property information sources, the collection of sale data is most crucial. Sales analysis provides evidence of market trends, which form the basis of property assessments and

annual adjustments to value. This is particularly important where the assessor intends to continue the practice of annual adjustments to property values in between state-mandated triennial revaluations. However, the conclusions drawn from sales data are only as good as the quality of information collected. Therefore, it is imperative that sale data be collected as near to the sale date as possible and with specific information gathering goals in mind.

Building permit inspections are useful in tracking new construction and property upgrades. Similar information is gathered during the state-mandated, re-inspection program to re-measure and list all improved properties every nine years. All three data sources help to identify changes in property condition that might impact assessed value and contribute to the maintenance of accurate and up-to-date town records.

The principal assessor indicated that he is likely to allow sales and building permit properties to accumulate before initiating inspections in the spring. The board members will again assist in a new cycle of the re-inspection program that begins this fiscal year, but it was suggested that their involvement might decline over time. In addition, as part of his duties, the principal assessor intends to complete data collection and analysis (using the state CAMA software) to arrive at annual property adjustments in-house for residential properties. For FY00, the town engaged the services of Coll, Layer, Trumbell to conduct all aspects of a town-wide revaluation at a cost of \$32,000.

RECOMMENDATION 1: INSPECTION OF PROPERTIES

We recommend that the assessor place a priority on the systematic collection of property data. State statute allows up to nine years to complete cyclical property re-inspections. The assessor has set a goal to re-inspect approximately 1,400 improved parcels within the town every six years, or 233 per year. Cyclical re-inspections would partially off-set by sale and building permit inspections which involve 100-200 properties annually. On balance, a regular program of property inspections for Bolton represents a manageable task for the assessor, particularly with the assistance of board members. In this context, data collection should be an on-going process throughout the year.

- Once per month, the assessor should compile a list of properties to be inspected. At the top of the list should be sale properties, extracted from the most recent list of transactions received from the registry of deeds, followed by building permit inspections and re-inspections.
- Field cards with property descriptions should be included with each property to be inspected. Each field card should be coded according to the type of inspection and instructions should be included to specify information to be gathered. In most instances, the property as it exists should be compared to the current record.

Discrepancies or changes should be noted; in the case of sales, additional information related to the transaction should be sought.

- The assessor should set aside a portion of a day, or days, each week for property inspections and should encourage board members to do the same.
- Information collected during inspections should be entered into the assessor's CAMA system on a regular basis.
- Each month, the assessor should generate a sales analysis for the prior month, as well as a year-to-date trend report. As a result, by January or February of each year, collection and input of sale data for the prior calendar year will be complete and ready for use in estimating annual adjustments to value.

RECOMMENDATION 1A: ANNUAL PROPERTY ADJUSTMENTS/TRIENNIAL REVALUATIONS

We recommend that the revaluation of and annual adjustment to residential properties be completed in-house by the principal assessor.

We support the stated goal of the assessor's office to complete revaluations of residential properties in-house with the aid of the state CAMA software. Given the relatively small number of residential parcels in the town, this is a manageable task for the assessor's office as presently staffed. It is, however, dependent upon timely inspection and analysis of sale properties, on the assessor achieving proficiency in the use of the CAMA software and achieving a full understanding of the property valuation process.

We recommend that the town continue to contract the services of an outside consultant on a limited basis. The principal assessor would benefit from the guidance of an outside consultant in estimating annual adjustments for residential properties in each of the next two years. The Division of Local Services' CAMA support group and the assessor's field representative from the Bureau of Local Assessment are also valuable resources. With this experience, the assessor should achieve the level of proficiency necessary to complete the triennial revaluation in FY03 without outside assistance. The interim cost for consultant services would be substantially less than the \$32,0000 expended in FY00, and would be eliminated, relative to residential properties, by FY03.

We recommend that the revaluation of and annual adjustment to commercial and industrial properties be contracted to an outside consultant. The valuation of commercial and industrial properties involves a more complex process than the methodology applied to residential properties. On balance, it would be more cost-effective for a town the size of Bolton, with its small commercial/industrial base, to contract-out this service.

FINDING 2: QUARTERLY TAX COLLECTIONS

Local acceptance of MGL Ch. 59, § 57C allows a city or town to send out property tax bills on a quarterly basis. While Bolton issues bills semi-annually, a growing number of communities are shifting to the quarterly billing cycle. By FY99, the number of communities with quarterly tax billing has grown to 189. With collections occurring four times per year, rather than two, the town has a more consistent in-flow of cash to meet cash demands and opportunities for increased investment income. This is of particular benefit to cities and towns that experience cash shortages through the course of the fiscal year necessitating short-term borrowing. In towns where tax bills are habitually mailed late, the opportunity to collect and invest tax receipts is lost. Quarterly billing puts tax receipts in the town's coffers and available for investment earlier in the fiscal year. The incremental cost associated with quarterly billing is in the staff-hours needed during two additional tax collection periods, and with a combined collector/treasurer office, there should be sufficient staff available to accomplish the task. Postage would remain the same and printing would increase only slightly as two quarterly bills would be sent in one envelope twice per year.

According to the treasurer, in his 24 years in office, the town has been forced to issue revenue anticipation notes only seven times. This is due, in large part, to funded reserves and high free cash levels.

RECOMMENDATION 2: QUARTERLY TAX COLLECTIONS

We recommend that the town convert to quarterly tax collections.

Quarterly tax billing represents sound financial practice for any community. For Bolton, it has the general benefit of enhancing revenues, especially where property taxes are, by far, the most significant revenue source. Ultimately, quarterly tax billing represents the implementation of another strategy which together with a stabilization fund and a more balanced reserve policy overall, works to ensure the town's financial security over the long term.

ADDENDA

DELINEATION OF PRIMARY RESPONSIBILITIES: ACCOUNTANT AND TREASURERTown Accountant

Below is a summary of the duties of the town accountant as extracted from the Accountant/Auditor Manual, published by the State Department of Revenue.

- Verify that any expense payment is lawful, justified and that funding exists under the appropriate budget line item (MGL Ch. 41:§ 52)
- Maintain municipal books including a general journal, general ledger and subsidiary ledgers (41:57)
- Maintain detailed records of all debt (41:57)
- Retain custody of all contracts and surety bonds (41:57)
- At the close of the fiscal year, receive from each department, board or committee a list of bills remaining unpaid (41:58)
- Certify, in advance, the availability of an appropriation for any construction contract in excess of \$2,000 (44:31C)
- Certify to the assessor proceeds from the sale of tax title possessions, receipts from tax title redemption and total real and personal tax collections of prior years and through March of the current fiscal year (59:2)
- Certify to the assessor's expenditures, approved in advance, in excess of appropriations for the removal of snow and ice (44:31D)
- Prepare a monthly statement for officers or department heads showing the total appropriations, expenditures and the balance in each appropriation. Notify the selectmen when it appears that an appropriation has been expended or is likely to be overdrawn (41:58)
- Furnish the assessors with a written report detailing money received for the preceding fiscal year from sources other than taxes, loans and trust funds (41:54A)
- Notify the assessor, in writing, by May 1, of the amount of debt falling due in the next fiscal year and of provisions made to meet these requirements (44:16)
- Immediately upon the close of the calendar year, prepare statements detailing the preceding year's appropriations and expenditures; appropriations for the current fiscal year; expenditures incurred during the first six months; estimates for expenditures for the second six months and estimates for the ensuing fiscal year (41:60)
- Make an annual report stating receipts and expenditures for the past fiscal year from all funds; showing the appropriation, the expenditure and purpose; stating any change in town debt, list of indebtedness incurred and unpaid at the end of the fiscal year (41:61)

- Prepare and furnish to the Director of Accounts, Department of Revenue, 1) a “Schedule A”, 2) a statement of public debt, and 3) a “Balance Sheet” (44:43)

Town Treasurer

Below is a summary only of the duties of the town treasurer as extracted from the Treasurers' Manual, published by the State Department of Revenue.

- Receives, takes charge of and accounts for all monies belonging to the town; receives and identifies monies due the town and reports the same to the accountant (41:35)
- Maintains a cash book; provides for adequate funds for current obligations (through issuance of long-term or short-term debt); invests the towns funds (44:55, 55A)
- Upon authorization of the selectmen or accountant, pay out public money (41:52, 56)
- Pays over and accounts for salaries and wages, including payroll and personnel deductions (41:41); maintains payroll and personnel records (149:178B; 175:138A); when so appointed, administers unemployment compensation programs (40:5E); assures compliance with labor and industry, retirement and insurance laws; monitors compliance with personnel by-laws, union contracts and civil service regulations (41:35)
- With selectmen approval, negotiates all borrowing, prepares necessary documents and notes and reports the same to the Director of Accounts (44:23, 24, 28)
- Report to the town accountant, or if none, to the advisory committee, the amount of debt and interest due in the next fiscal year when budgets are submitted (41:59)
- Maintain custody of stabilization funds, pension reserve funds, trust funds, investments, and other funds not allocated to other agencies (40:5B, 5D; 41:46; 44:53)
- Maintain custody of town’s financial documents including insurance policies, fidelity bonds, deeds, etc. (41:57, 44:54)
- Maintain tax title accounts, conduct sales of land, prepare documents to petition for foreclosure (60:50, 61-63, 76,77,79,80)
- Prepare reports including reconciliation of treasurer’s cash, weekly or monthly report of receipts and balances to the accountant, reports of payroll deductions; an annual report; and reports to the Director of Accounts including a quarterly report of reconciliation of treasurer’s cash, and an annual report of cash management achievements (see IGR 83-02, pg. 2-9, 2-10)
- Close and reconcile all books and accounts including cash book, warrants, bank accounts, insurance programs, retirement funds, debt records and tax title accounts.

ACKNOWLEDGEMENTSThis report was prepared by:

The Department of Revenue, Division of Local Services (DLS)

Joseph J. Chessey, Deputy Commissioner

Gerard D. Perry, Associate Deputy Commissioner

The project staff included:

Frederick E. Kingsley, Bureau Chief
Municipal Data Management and
Technical Assistance Bureau (MDM/TAB)

Joseph Markarian, Jr., Program Manager
Technical Assistance, MDM/TAB

Daniel Bazin, Field Representative
Bureau of Accounts

John Howard, Field Representative
Bureau of Local Services

In preparing this review, DLS interviewed the following town officials:

James D. Anker, Chair, Board of Selectmen

Kenneth F. Troup, Board of Selectmen

Mary Ward Olsson, Board of Selectmen

Wayne Wetzel, Chair, Advisory Committee

Gwendolyn Rogers, Advisory Committee

Roberta Straszewski, Advisory Committee

Jeffrey Nichols, Chair, Board of Assessors

Betsy Cussen, Town Clerk

David Berry, Town Coordinator

Linda Day, Administrative Assistant

Robert M. Blake, Treasurer/Accountant

Brenda Troup, Assistant Treasurer

Thelma Smith, Collector

Peggy Child, Assistant Collector

Andrew Vanni, Principal Assessor

Cindy Bradbury, Assistant Assessor

Celia S. Hyde, Police Chief

Harold E. Brown, Director, Department of Public Works

Shelly O'Toole, Clerk, Department of Public Works

Rose Stanley, Chair, Conservation Commission

Edward Sterling, Long Range Planning Committee