



Town of Kingston

Financial Management Review

Division of Local Services / Technical Assistance Section

May 2010

Introduction

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

We have based our findings and recommendations on site visits by a Technical Assistance team consisting of staff from the Division's Technical Assistance Section, Bureau of Accounts, and Bureau of Local Assessment. During these visits and by telephone, the team interviewed and received information from the selectmen, members of the finance and capital planning committees, the town administrator, town accountant, town clerk, treasurer, collector and assessors.

DLS staff examined such documents as the tax recapitulation sheet, warrants, annual budgets, balance sheets, cash reconciliation reports, statements of indebtedness, the town by-laws as well as other assorted financial records. Other documents reviewed included the town's outside audit for fiscal year 2007 completed by Melanson, Heath and Company, PC.

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, warrant 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 selectmen and others, 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 the various boards, committees and officials.

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Overview

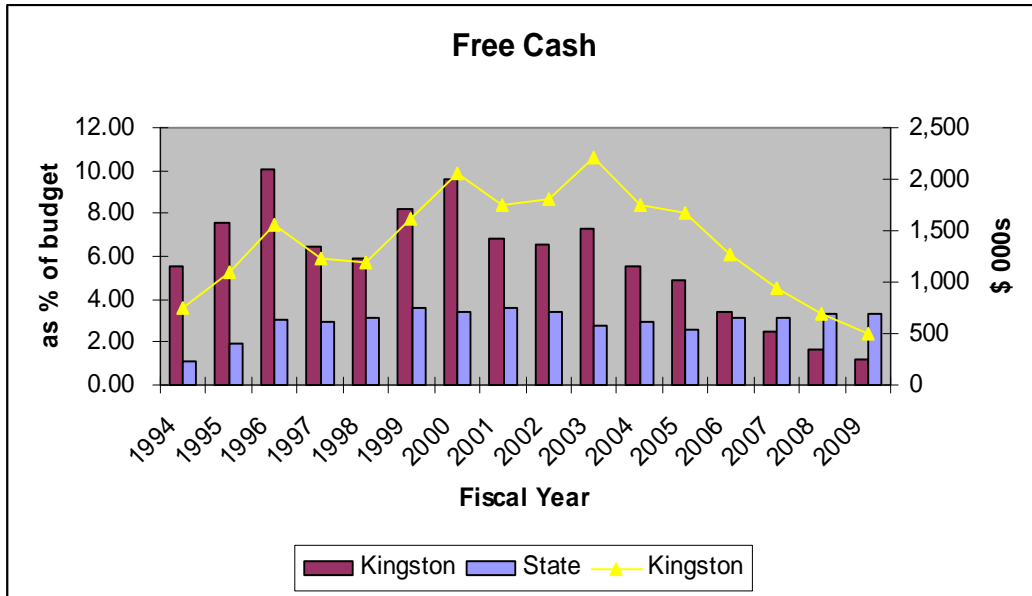
Kingston, population 12,328, is a residential suburb of northern Plymouth County in southeastern Massachusetts. Major highways through the area include State Route 3 and Interstate 495, which give access to the airport, harbor, and intermodal facilities of the Greater Boston Region. Following a tax dispute between the residents of north and south Plymouth, Kingston was incorporated and officially recognized as a distinct town in 1726. Shipbuilding was once a big industry and Kingston features the oldest continuous working shipyard in the nation. Today it is principally a residential community with a small number of professional fishermen and cranberry growers.

Kingston has budgeted revenues of \$41.3 million for fiscal FY2010. Local property taxes account for 60 percent of its revenues and state aid another 15 percent. Kingston's property taxes are fairly competitive in relation to its immediate neighbors. The town's average single-family tax bill was \$4,867 in fiscal 2010 and, while 11.8 percent higher than the state average, it is only \$19 higher than the average of the surrounding six towns. Kingston's average single-family tax bill has been growing faster than the state average since the early 1990s when it was more than a third lower than the state average. The town also imposes a Community Preservation Act tax surcharge at the allowed maximum of three percent. At \$13.54 per \$1,000 in 2010, Kingston's single tax rate is only slightly higher than the average residential tax rate of the abutting municipalities, \$13.19. From FY2000 to FY2010 excess capacity averaged 0.08 percent of the levy limit compared to 2.11 percent statewide.

Until recently Kingston had a good record of generating free cash. From FY1994 to FY2004, the town's free cash averaged \$1.5 million a year or 7.24 percent of the town's operating budget, more than twice the state-wide average of 2.9 percent over the same period. However, the decline in Kingston's free cash has been precipitous, as shown in Figure One. From a high point of \$2.1 million or 9.6 percent of budgeted revenues in FY2003, it declined to only \$0.5 million or 1.16 percent in FY2009. The town's most recent free cash certification had fallen to less than half the state average of 3.18 percent. As in other cities and towns, the major factor for the decline is the state of the economy which has resulted in less excess revenues, particularly from local receipts.

Unlike free cash, Kingston's stabilization fund has outperformed the state average throughout this period. But, stabilization fund balances have also diminished in relation to the budget in FY2007 and FY2008, although the decline has not been as severe. Kingston's FY2008 stabilization fund balance of \$1.3 million was equal to 3.0 percent of its total budget, compared to a state-wide average of 2.84 percent.

Figure One



All told, between free cash and stabilization balances, Kingston today has about four percent of its budget in reserves, less than the five to ten percent auditors and rating agencies advise cities and towns to maintain. Nearly as important to rating agencies is how towns use these funds. In that regard, Kingston has typically used stabilization funds to pay for one-time capital expenses and free cash to offset unexpected operating costs. The town’s FY2010 operating budget did not rely on either free cash or stabilization as a funding source, and the town deferred any new capital spending.

Kingston’s government and fiscal management fall under the control of a mix of elected and appointed officials. A five-member board of selectmen is the executive branch of government. It appoints the accountant and the town administrator who also serves as the town’s chief procurement officer. The town administrator manages the day-to-day operations of government and coordinates the routine activities of the town’s financial officers. The treasurer, collector and three-member board of assessors are elected, and the town administrator has no line authority over them. The assessors hire a full-time assistant to manage the assessing department, leaving the treasurer as the only part-time finance officer in town hall. The seven members of the finance committee are appointed by the elected town moderator.

The Kingston bylaws are largely silent on the role of the town administrator. In fact, the town administrator position is mentioned only four times. She is named as a member of the Budget Advisory Board which issues guidelines to town departments at the beginning of the town’s budget process. The only other specific role in the budget process outlined for her in the bylaws is to take the department recommendations compiled by the town accountant and forward

them to the select board. The bylaws also name her as an ex-officio member of the Audit and Capital Planning committees. In practice, however, the town administrator is integrally engaged in the budget process, although she at times seems hampered by her lack of clear formal authority. In addition to the normal range of duties for a town administrator, she is involved in the town's marketing and economic development efforts.

Concurrent with this financial management review, the Kingston Board of Selectmen appointed a seven-member Town Government Study Committee with the charge to issue a report with recommendations on town governance and organization before the April 2011 Town Meeting. The committee, organized in January 2010, intends to conduct an extensive open process soliciting input from the full gamut of town officials, municipal employees and town residents. We met with the Government Study Committee and offered them our thoughts on their process. Discussed was the need to examine and address the appropriate roles and responsibilities of local officials, town boards and day-to-day managers. We emphasized the importance of establishing clear lines of authority between the town administrator and department managers and staff. We suggested that they look at the budget process, the issue of appointed versus elected officials and the possibility of combining the offices of the collector and treasurer.

Conclusion: Like many cities and towns, Kingston has suffered a decline in its fiscal position in the last several years. Squeezed by escalating costs and declining revenues, free cash and, to a lesser extent, stabilization fund balances have steadily declined. While much of this is due to the overall economic slump and is beyond the town's control, our recommendations address areas where improvements in the fiscal performance can be achieved.

With one exception, our recommendations will not result in measurable financial savings for the town, but are intended to make modest improvements to how government functions. At the same time, our first recommendation addresses an issue that we consider of paramount importance. The town operates under a relatively weak government structure that, in our opinion, would be improved by granting the town administrator more authority over department heads and independent boards so that she can more effectively carry out the directives of the board of selectmen.

In the meantime, we are encouraged by the commitment of Government Study Committee members to address issues of importance to the town through an objective, forthright and credible process. We further encourage those involved in government as well as residents to engage in the process so that a comprehensive, thoughtful and credible report will be produced.

Overall Financial Management

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

In this context, finance department heads and staff are effective in producing vendor and payroll warrants for review and approval by the selectmen. The budget process is well defined in town bylaws with an early start and clear deadlines. A five-member capital planning committee¹ evaluates capital spending requests and prioritizes project proposals with suggested funding sources for town meeting. Staff are involved in the preparation of required submissions to DOR. The balance sheet (for free cash certification) is completed by the accountant, as is the town's Schedule A. Finally, the accountant, assessors and town clerk collaborate on the preparation of the town's Tax Recap Sheet, which is the basis of DOR approval of the annual tax rate. DOR needs to approve Tax Recap submissions by December in order to generate the first actual quarterly tax bill on time; Kingston finance officers regularly meet DOR reporting deadlines.

As provided by the town bylaws, the Budget Advisory Board meets at the start of the budget process to discuss policy goals and revenue estimates before the selectmen and finance committee begin their independent reviews. Separate from the finance committee, the board is composed of the chairs of the board of selectmen, the school, finance and capital planning committees, as well as the town administrator and the Kingston representative to the regional school district. The treasurer produces a revenue estimate for the ensuing year, which the town administrator presents to the Budget Advisory Board by October 1. The treasurer has been especially instrumental in developing and committing to a policy for a conservative revenue estimate. For the last three years he has generated a five-year forecast which assumes local receipts at 80 percent of the prior year's actual level, and uses the Governor's House One

¹ Two members are appointed by the selectmen, two members by the finance committee, and one member by the town moderator.

estimate of state aid for the upcoming year. The town administrator then sends budget instructions to all non-school department heads, boards and commissions by October 15. The budget instructions include guidelines for departments and budget request forms, which must be returned to the town accountant by November 10. The town accountant develops a working budget document from the departmental requests for the town administrator to present to selectmen on or before November 15. The selectmen are required to submit their budget recommendation to the finance committee by December 15. Finally, at town meeting, the selectmen present the budget for approval, while the finance committee submits a separate written report of its budget recommendations.

The town maintains several good practices with regards to its use of stabilization funds and free cash. For example, while there is no formal policy, Kingston refrains from using stabilization funds for operating costs; stabilization reserves are typically rolled over or used to pay for one-time capital expenses. Free cash is sometimes used to fund unexpected operating expenses, any remaining balance is usually appropriated to stabilization. Though capital needs exist, no capital recommendation was made to town meeting for FY2010 in order to avoid depleting town reserves. Nor did the town use free cash or stabilization funds to finance the FY2010 budget, although the budget did rely on \$125,000 in overlay surplus.

Kingston belongs to the Silver Lake Regional School District with the neighboring towns of Halifax and Plympton. The town has also entered into a group purchasing arrangement with the Plymouth County Health Group to purchase health insurance for town employees. The town has adopted separate enterprise funds for its water and sewer operations. Enterprise fund accounting is typically employed for business-type operations to segregate their finances and ensure that all enterprise costs are borne by the ratepayers instead of all town residents.

Kingston has an outside audit of its financial statements performed each year, currently by Melanson, Heath & Company. An independent audit is not only a measure of a community's fiscal performance, but also a valuable management tool for identifying areas that need improvement. The town administrator, accountant, collector and treasurer meet regularly to report their progress on implementing the recommendations of the auditor in his management letter.

Conclusion—We found Kingston to be well-managed from a municipal finance perspective. Town officials are capable and committed; finance officers are knowledgeable and observant of state finance laws. Staff are diligent in the performance of their duties and in their attention to detail. Offices cooperate to ensure that important financial tasks such as the preparation of warrants, the commitment and collection of taxes and preparation of the annual budget recommendation are accomplished smoothly and timely. At the same time, the town relies heavily on past practice instead of formally adopted policies to direct its financial affairs. Furthermore, the roles of some officials, particularly the town administrator, are not well defined

and reporting relationships are blurred because of the number of elected officials and multiple office holders. We address these issues below.

Recommendation 1: Empower the Town Administrator

We recommend that the town enhance the authority of the town administrator position. As previously mentioned, the selectmen, with approval of town meeting, have appointed a town government study committee. One of the areas that the committee is examining involves the capacity and authority of the town administrator's position. We agree that this issue warrants the government study committee's attention. While the incumbent is able to function well as a result of years of experience and personal reputation, the position itself lacks formal authority. In reconsidering the role of the position, the town might reflect on the most effective way to bring focus to bear on financial management and centralized decision-making.

This recommendation expresses the opinion of DOR, favoring a more centralized organizational structure, a point of view derived from observing the collective experience of Massachusetts municipalities. Over time, a single management presence has emerged as an important way to promote clear lines of authority and accountability in government. Toward this end, giving the town administrator authority to appoint department heads is a critical step that can be taken to help strengthen management in town government.

Therefore, we recommend the town consider delegating the selectmen's appointing authority so that department managers are appointed by and report to the town administrator. Appointment could still be made contingent on the approval of selectmen, if desired. In the case of currently elected officials, this will require their positions be made appointed as we suggest below.

Recommendation 2: Establish a Financial Management Team

We recommend that the town establish a financial management team which would meet on a regular basis. Whether elected or appointed, we would expect a common desire among finance officers to serve the town well. For this and other reasons, we recommend a financial management team, comprised of the town administrator, as chair, the accountant, treasurer, tax collector and the assistant assessor be created in town bylaws and meet monthly, or quarterly.

Financial management team meetings can serve as a forum to review the town's fiscal status, coordinate financial functions and discuss progress on finance-related deadlines. The team can identify critical junctures and offer strategies to deal with anticipated fiscal events and areas of concern. A wider group is better able to give full analysis to proposed procedures or policies. Meetings enhance lines of communication, provide a forum to raise and resolve

interdepartmental issues. The financial team is not intended, however, to function as a policy making body, nor as one that would encroach on the duties or decision making responsibilities of the town administrator .

Not so obvious is the intangible benefit when all involved receive the same message or new information at the same time. Each person can have confidence that a regularly scheduled forum exists to raise issues of concern, and that he or she will have equal input into any subject matter discussed. In short, by creating a financial management team role and identity, understanding and cooperation will naturally increase, and morale in town hall can more easily be sustained at a high level.

Recommendation 3: Convert Treasurer and Collector to Appointed Positions

We recommend that the town convert the offices of collector and treasurer to appointed positions. A clear trend has emerged among Massachusetts communities in favor of appointed positions for a number of compelling reasons. Most relate to ensuring that office holders possess the experience and qualifications for the position and to expanding the pool of potential candidates for the job. Often mentioned is the prevailing theory of government practice that policy makers should be elected, but operational positions, where a certain skill set is required, such as the accountant, assessor, collector and treasurer, etc., should be appointed. Some municipalities see value in placing all town hall positions on equal footing and subject to the same review structure.

While Kingston is fortunate today to have able department heads who care about the town and doing a good job, there is no guarantee similarly qualified individuals will step forward when the incumbents resign or choose not to pursue reelection. Either occurrence represents an opportune time to convert an elected position to an appointed one. We understand that town meeting rejected a proposal to make the treasurer an appointed position as recently as 2008. The town meeting action does not, however, lessen our conviction that these are positions requiring specific skill-sets and therefore should be appointed rather than elected.

We also recommend the town consider combining the two positions in the long term. To gain further efficiencies and cost savings, many towns have chosen to combine the treasurer's and collector's offices as well. Because of the parallels in the responsibilities of each of these offices, many communities find that having the duties combined in one office generates long-term cost savings in terms of personnel and cash management. Having receipts collected, counted, posted, deposited and managed in the same office makes organizational sense.

In the case of Kingston, combining the offices could solve another problem related to the part-time nature of the treasurer's position. The current treasurer is budgeted for a 12-hour per

week position, but he reports spending 15-20 hours a week on his duties. We are not convinced that, for a town the size of Kingston, a part-time treasurer could meet the normal demands placed on the position. While the position remains elected, attracting a qualified person who would be willing to engage in a campaign to fill the office, is also problematic. Combining the collector and treasurer positions, and making it an appointed office, would help address these issues. Although we anticipate no overall reduction in staff because an additional assistant treasurer/collector would be needed, it would reduce the number of department heads.

Recommendation 4: Review Procedures for Pursuit of Delinquencies

We recommend that the town administrator convene a meeting of the assistant assessor, collector, treasurer and water and sewer superintendents to develop and execute a plan for pursuing delinquent tax and rate payers. This issue is tailor made for a team approach because it involves the participation of several departments, especially in the case of delinquent water and sewer charges; the assessor must be involved to attach the delinquent amount to the real estate bill; the collector is responsible for the tax taking; the takings are transferred to the treasurer's control for foreclosure proceedings and he has the option of entering payment agreements with taxpayers; and, water and sewer department revenues are adversely affected when their bills go uncollected. At last report, the sewer department alone had \$240,000 in delinquent accounts, including one account that owes over \$45,000 in water and sewer charges together. As for water bills, the delinquent charges are not liened to the real estate tax bill until the payments are 15 months late; water customers are not threatened with having their water shut off until another five months have passed. The town should be more aggressive in its pursuit of delinquencies according to a clear policy that applies equally to all.

Recommendation 5: Limit Multiple Office Holding

We recommend that the town adopt a bylaw that prohibits selectmen, finance committee members and elected officials from serving as voting members of standing town committees. In Kingston, the finance committee chair is a voting member of the sewer commission and the town technology committee. The town treasurer maintained his seat on the finance committee when he was first elected in 2004, and only resigned in 2009; today he chairs the Community Preservation Committee. These are examples where elected or appointed officials are voting members on multiple boards or committees. Because of the decisions these bodies make, overlapping participation can give rise to the appearance of conflict and can create the perception that not all departments will be dealt with on an equal basis. Therefore, in the interest of

transparency in government, we recommend the town adopt a bylaw prohibiting selectmen, finance committee members and elected officials from serving as voting members of standing town committees. They should not, however, be prevented from serving on ad hoc committees where they have an interest or their knowledge, experience and expertise can be of real benefit.

Recommendation 6: Eliminate Benefits for Part-Time Elected Officials

We recommend that the town evaluate the benefits offered to part-time, elected and appointed board members. Under M.G.L. c. 32B § 2(d), if any part-time elected official, or part-time employee working at least 20 hours per week receives either a salary or stipend, he or she is eligible for health care benefits. If a paid employee also contributes to the retirement system, he or she vests after ten years and is eligible for health care benefits upon retirement. In every case, the town pays a share of the cost to cover the employee or retiree. For Kingston, there are 10 elected officials currently receiving health insurance benefits through the town at an FY2010 cost of approximately \$85,000. However, town meeting can adopt a bylaw that removes part-time elected officials from those eligible for health care benefits during employment, or upon retirement. The 10 officials currently receiving benefits can be “grandfathered” until the end of their current term, and it is our position that newly elected or reelected part-time officials can be excluded from receiving benefits moving forward.

Recommendation 7: Conduct Performance Evaluations

We recommend that the town establish a program of employee performance reviews. Employee evaluations will reinforce responsibilities and clarify job expectations for managers and staff with the message that their performance will be measured annually. A clear line of authority should be established where the selectmen evaluate the town administrator, who evaluates the department heads, who in turn evaluate the employees under their supervision. If implemented in a methodical even-handed way, regular job performance evaluations can reinforce accountability, bolster employee morale and elevate resident confidence in government.

As a by-product, job descriptions can be reviewed and updated for all town employees, lines of communication can be created, and the basis for a responsive personnel policy can take shape. The town should be warned that this recommendation does have collective bargaining implications.

Recommendation 8: Institute Biweekly Payroll

We recommend that Kingston negotiate to move town personnel from a weekly to biweekly payroll schedule. Many employers in both the public and private sectors, including the Commonwealth, compensate employees on a biweekly basis. Furthermore, all school systems are already on a biweekly pay schedule. Paying employees biweekly would create an advantage on non-paycheck weeks by freeing up staff time enabling them to focus on other tasks. To move employees to a biweekly pay period will require collective bargaining.

Recommendation 9: Implement a Purchase Order System

We recommend that the town implement a purchase order system. It is unclear to us to what extent the MUNIS purchase order (PO) system is used, except that it is not fully implemented. A PO system requires prior approval of purchases, places an encumbrance on a departmental budget line item prior to expenditure and can ensure that communities do not run afoul of laws governing municipal procurement.² In Kingston, we would expect PO requisitions to run through the accountant's office where the regular verification steps would take place. The accountant can also flag proposed expenditures that trip procurement laws and remind the department manager of procedures to be followed. We suggest, however, that a PO may not be needed for smaller dollar purchases. Communities often address this issue by establishing a dollar threshold (e.g., \$250, \$500, \$1,000, etc.) under which a PO is not necessary.

Finally, we recommend that the town take advantage of the MUNIS system's purchase order module. Ideally, the PO requisition process would be initiated by a department head at his or her computer. While this may require the town to make an additional investment in MUNIS training, the accountant would receive and review electronically transferred requisitions and would not have to key data from hard copy to produce a PO.

Recommendation 10: Address Sewer Betterments

We recommend that the town administrator convene a meeting of the assistant assessor, the collector and the sewer department superintendent to resolve the town's sewer betterment issue. In 2001 and 2002, a number of betterment payment entries were inadvertently deleted from the town's financial software. This caused two problems that we are aware of. When the

² M.G.L. c. 30B, the Uniform Procurement Act sets forth Massachusetts procurement laws. The Office of the Inspector General has an extensive Chapter 30B assistance program. See <http://www.mass.gov/ig/igch30b.htm>.

first quarter real estate tax bill is generated the assistant assessor must spend an inordinate time manually calculating and keying the proper amount of betterment interest for the accounts with missing payment history. The second issue arises when a citizen sells their home and requests a betterment payoff. The homeowner pays the sewer department a fee of \$77 to process the lien release and then delivers a form of lien release to the assessors' office. The assessors prepare a betterment payoff warrant for the collector which shows the original assessment, the amount committed to the collector previously, and the remainder being committed for payoff. However, the collector's record of the outstanding amount due often differs, in part because the amount previously committed may not have been paid. Further complicating matters, the sewer betterments are recorded in MUNIS to be sent with the first and second quarter tax bills and then pulled off to make room for septic loan charges which are added to the tax bill for the third and fourth quarters. Apparently, the MUNIS version used by the town cannot accommodate two special charges on the same tax bill.

We recommend that the assessors and collector compare their records, account by account, to determine where conflicts arise. If they cannot reconcile the variance, a defensible decision should be made as to which amount will be used going forward and records should be adjusted accordingly. We also recommend the assistant to the town administrator contact MUNIS about how it might accommodate both the sewer betterment and septic loan information simultaneously. We also recommend that the betterment payoff warrant be modified by adding fields to record interest, amounts paid and the balance due to the committed and uncommitted amounts.

As a next step, they might consider segregating the sewer ratepayer database into two segments, one containing the accounts with missing payment data and the other with complete payment data. In this way, the problem can be isolated going forward and the financial software can be used to calculate the payoffs for those accounts with complete data. This will also segregate the accounts with missing data and may help the assistant assessor develop a more permanent solution.

In any event, this is not a simple problem and will require the cooperative effort of the assessors, the collector and the sewer department.

Information Technology

Computers and technology play a vital role in municipal financial management today. Town hall financial systems are almost universally automated and the electronic maintenance and security of information is essential to the integrity of municipal records. E-mail is used regularly to communicate and provide internal access to information. Town websites typically provide e-mail links to town offices, access to town documents and forms, important town announcements and policy statements, and a link to pay taxes and other charges on-line. The management of information technology (IT) is a central component of modern day municipal government. Efficient use of IT resources can improve productivity in town hall and provide better services to residents. As technology continues to advance, town halls need to continually invest in sufficient resources to manage and maintain their computer systems.

An inventory of the town reveals a total of 35 computers and three servers in town hall. All of the town hall computers and financial systems are backed up daily to the town servers and the tapes are stored onsite in a fireproof safe. The town has a detailed, comprehensive policy on cell phone, computer, e-mail and internet use. Employees must sign a form to acknowledge that they have read the policies and understand the penalties for noncompliance before they are granted a user account with a unique ID and password to gain access to the town's computer systems and network, including a personal e-mail account and internet access.

A five-member Technology Advisory Committee was appointed by the selectmen in 2007 to advise the town on technology matters and develop a long-term plan. The Assistant to the Town Administrator and Board of Selectmen is the point person on technology matters in town hall. She relies on a local IT firm for technical support for the computers, network and servers when an issue is beyond her expertise. The town typically budgeted \$6,000 for IT consulting costs, another \$5,000 to \$6,000 for equipment repairs and a replacement plan including upgrades to the capacity on the town servers. As in many towns, IT funds were cut in FY2010 because of budgetary pressures; the total technology budget was reduced to \$5,050. Another area of the town's information technology program which has fallen prey to budget cutting pressures is the training budget. The town appropriated \$5,000 each in FY2008 and FY2009 for employee training, but the item was eliminated for FY2010. For FY2011, the initial budget proposal does not contain funding for equipment and training for the second consecutive year.

The financial offices, including the accountant, assessor, collector, treasurer, and the water and sewer departments use municipal financial software from MUNIS. The assessor's office also uses Vision Appraisal Technology's computer aided mass appraisal (CAMA) software for property record information and valuation analyses. Off-site backup and support for the specialized municipal financial software packages are provided by their separate vendors,

MUNIS and Vision. No one in town has access to geographic information system (GIS) software applications or data.

The town has a website, <http://www.kingstonmass.org/>, which is maintained by the town clerk's office. It is robust with content and well organized compared to many other cities and towns. Among the documents posted on the website are town annual reports, bylaws and forms, and water and sewer rules and regulations. In addition, some annual budget information and selected financial policy statements are available. Each town department has its own page with an email link to the department head; the assessor's page has annual property values but lacks complete property record information. The site includes links to pay real and personal property and motor vehicle excise taxes, water and sewer charges and parking tickets online. The town is fortunate to have staff capable of maintaining the website in the town clerk's office instead of depending on a consultant.

Conclusion—Kingston's technology equipment needs are being adequately met at the current time. The town's point person is attentive, responsive and makes judicious use of the technology consultant. However, the town has recently deferred its ongoing investments in computer resources, for both equipment and training. We would caution that this is not a wise path to continue for long before resources, both computers and skills, become inefficient and obsolete. We also recommend that the town consider adding GIS capabilities.

Recommendation 11: Provide Training for Staff

We recommend that the town commit resources to increase town hall staff training on computer software. Kingston's investment in technology was already modest by comparison to other towns before the reductions in FY2010. While we are generally reluctant to recommend that communities increase spending, IT is a critical element of municipal financial management today and requires some investment to maintain user proficiency. In particular, staff will require training in the MUNIS purchase order module to implement one of our prior recommendations. The absence of good reporting and the source of data entry problems can oftentimes be traced to a lack of staff training. Of concern is the risk that the town's investment in state of the art hardware and software will be squandered because employees are not trained in their use.

Recommendation 12: Consider Acquiring GIS Capability

We recommend that the town evaluate the cost of acquiring Geographical Information System (GIS) capabilities. At full utilization, a GIS system incorporates information of value to the assessors, conservation commission, the water and sewer operations, the department of

streets, trees and parks, and any other town office that works with real property, infrastructure or natural characteristics of the town. It is a resource that can make departments more efficient, productive and responsive to community needs.

Evaluating the costs and benefits of GIS is an appropriate exercise for the Technology Committee. One course of action is to meet with counterparts in other communities to learn of potential applications. If opinions are favorable, further discussions should focus on how to work the cost into the town's capital investment plan.

Treasurer

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

The Kingston treasurer was first elected in 2004. He reports spending an average of 15-20 hours a week in what is budgeted as a 12-hour per week position. He is assisted by an assistant treasurer and a payroll administrator. Of late, the new town administrator is relying on him more heavily as a source of financial information in the budget process. The treasurer is also otherwise active in town government. He served in a volunteer capacity on the capital planning committee and is currently the chairman of the Community Preservation Committee; he was also a voting member of the finance committee from 1997 until just recently. The treasurer and his assistant treasurer attend the Massachusetts Collectors and Treasurers Association (MCTA) school each year in pursuit of official certification. The treasurer intends to take the exam this year.

Departments turn cash receipts over to the treasurer correctly according to long standing practice. Departments bring their cash and checks to the treasurer with three copies of a departmental turnover sheet, one copy for the treasurer, one copy for the department to deliver to the accountant and the department's copy to keep as a receipt. All but one department is producing their turnover sheet from an Excel spreadsheet template that automatically totals the individual revenue types. The money is deposited at a local bank three times a week and secured in the office vault until deposited. Blank checks and the treasurer's signature stamp are similarly secured. Departments turn over monies on a weekly or more frequent basis if certain dollar thresholds are reached.

The treasurer is responsible for paying the town's bills with the appropriate approvals outlined in municipal finance law. For vendor bills, the accountant's office prints the checks as part of the process for producing the warrant for the selectmen's signature. The treasurer signs the checks only after he receives the signed warrant; town department bills are paid weekly and

school department bills monthly. All checks are issued by the financial software which helps to ensure that the appropriate procedures are followed.

The treasurer maintains his cash book and debt schedules in Excel spreadsheets. The cash book tracks the cash position in the town's 13 bank accounts. It records turnovers from the town departments, and disbursements through vendor and payroll warrants. The assistant treasurer reconciles the cash book, internally against bank statements and externally against the accountant's general ledger, on a monthly basis. The assistant treasurer has a reconciliation spreadsheet in Excel that she emails to the assistant accountant. The treasurer and accountant follow a similar process to reconcile debt.

The treasurer invests town funds according to a well-founded set of investment guidelines designed to balance the investment goals of safety of principal, liquidity and yield while meeting all legal requirements, including federal arbitrage rules. He also uses the services of a financial advisor, First Southwest, to assist in the investment of funds and the issuance of town debt. He typically avoids having to issue short-term debt for cash flow purposes.

The treasurer reports that he gets timely notice from the collector when properties are moved into tax title and has become more aggressive in his pursuit of tax title properties. He has begun sending letters to property owners, and town meeting has allotted \$7,500 a year for filing and legal fees, almost double the amount appropriated in FY2008.

The office, as in many cities and towns, is responsible for processing the town's payroll and maintaining personnel files. The roughly 150 town employees are paid weekly; the 150 school employees are paid biweekly. The office uses Harpers payroll service to generate the payroll warrants and checks. The payroll administrator checks to ensure that the amounts are correct and that all deductions are properly withheld before payroll is paid. The office is also the repository of the town's personnel records which are kept in a locked file cabinet; according to an informal policy only the treasurer and his two staff have access to the personnel files.

Conclusion—Overall, the treasurer appears to have systems in place to ensure that the fundamental responsibilities of the office are fulfilled and adequate checks and balances exist with other finance offices. Our recommendations suggest several enhancements that the treasurer may adopt. The first will improve policy makers' information about cash flow and better allow them to plan for unforeseen contingencies. The rest are primarily intended to tighten up procedures in order to improve internal controls. We would be remiss if we did not point out that most of these are issues that the treasurer is well aware of and would like to address. The reason he has not taken action already is likely the part-time nature of his position.

Recommendation 13: Create a Monthly Cash Flow Budget

We recommend that the treasurer create a monthly cash flow projection budget. It is the responsibility of the treasurer to manage the town's cash and ensure that account balances are sufficient to cover town obligations as they arise. In this regard, a cash flow budget is a useful tool that can help anticipate periods of low cash balances and better manage short-term investment and borrowing.

A simple spreadsheet can be devised in Microsoft Excel to serve as a cash flow budget. By applying past patterns of monthly spending and collections (as evidenced by warrants and monthly revenue reports) to current year appropriations, and overlaying projected debt service obligations, a reasonable forecast of the town's cash flow will emerge. Through the course of the year, the cash flow forecast can be adjusted for unexpected circumstances, and actual monthly costs or revenues should replace estimates.

The town treasurer is already well aware of the advantages of a monthly cash flow budget and would like to create one. However, because of the part-time nature of his position, he has placed other priorities first.

Recommendation 14: Address Tax Title Backlog

We recommend that the treasurer develop a plan to address the backlog of tax title properties. In Kingston, the treasurer receives tax title notices from the collector and currently has approximately 130 properties in tax title, one dating back to 1971. We understand the treasurer's reluctance to pursue the tax foreclosure process however there are other strategies that he might pursue to collect a portion of this \$1.7 million in principal, interest and fees owed to the town.

We suggest that the treasurer organize, on a spreadsheet, tax titles into the groupings listed below and then act to move them through the appropriate process:

- *Land of low value:* These properties, improved or vacant, can be placed on a fast track toward auction outside Land Court proceedings. To qualify, a tax title property must have a current assessed value less than \$19,130 for calendar year 2010. The most recent tax bill should be a good indicator of a property's current assessed value.
- *Multiple parcels under single ownership:* On the town's list of tax title accounts, there may be instances where individuals own multiple properties. Greater efficiencies can be gained by dealing with these properties together either in Land Court or during a negotiation of a partial payment agreement.

- *Accounts with bad addresses and/or deceased properties owners:* These accounts should be individually investigated to determine the likelihood of identifying legal owners, or person(s) in possession. If an owner is found, contact should be made. If after a diligent search, an owner cannot be found, alternative action should be considered. Available options include a petition to the Commissioner of Revenue under M.G.L. c. 59, §11 seeking authorization to assess taxes to the person in possession of the property (if this is the case), or to assess the taxes to persons unknown.
- *Existing partial payment agreements:* Existing agreements should be reviewed to ensure that each is being honored and that payments are sufficient enough to pay down the outstanding tax balance within a reasonable time. If not, the agreement should be restructured or voided, and foreclosure proceedings should be initiated.
- *Remaining accounts:* These accounts are the most likely candidates for outside legal assistance. We recommend the treasurer identify properties with the highest outstanding balance and solicit legal services through a request for proposals. Let respondents provide details on how many accounts, on what basis and for what fee each would contract with the town. The process can be replicated as needed to reduce the number of tax title accounts.

To reduce tax title accounts and collect any portion of the outstanding taxes owed the town will require a commitment not just from the treasurer, but from the board of selectmen and town meeting as well. A well thought-out plan of action, supported by an infusion of resources, can help maximize collections and convince current and potential delinquent taxpayers of the town's seriousness in the collection of taxes.

Recommendation 15: Develop Written Policies on Personnel Records

We recommend that the town administrator and treasurer develop a written policy to separate and restrict access to personnel files and payroll records. Kingston has an informal policy that restricts access to personnel files to the treasurer, assistant treasurer and payroll administrator. However, we recommend that officials prepare and commit to a written policy that sets standards for file maintenance and storage, and that restricts file access for their own protection.

Personnel files for each employee should contain information regarding their relationship with the municipality and should be maintained in a way consistent with state and federal laws, regulations, and town policies. There are three specific types of employee information that can be maintained in the same location, but must be filed in separate folders:

- Personnel data, including all documents kept by an employer that have been used or may affect qualifications for employment, promotion, transfer, additional compensation, or disciplinary action, as outlined under M.G.L. c. 149, §52C;
- Personal information, protected under M.G.L. c. 214 §1(b); and
- Medical records including Workers' Compensation and Family and Medical Leave, protected by the American Disabilities Act.

While not required by law, a fourth file folder should be added to hold only the federal I-9 form. This form need not be segregated, however a person authorized to view the I-9 is entitled to examine any document contained in the same folder.

Collector

The Kingston collector is elected and has served the town for nine years. As a full-time town collector, she possesses the authority to collect real and personal property taxes, excises, betterments as well as other charges and payments due the town. She has one full-time staff person, a reduction from two assistants a year ago.

The collector's office issues nearly 5,000 real estate tax bills and 447 personal property tax bills quarterly. In addition, the collector is responsible for the collection of almost 4,000 water and 1,600 sewer accounts. She sends an electronic file to a Worcester firm for printing, stuffing and mailing the property tax and utility bills; the water and sewer charges are billed on a quarterly schedule that lags the property tax bills by one month in order to spread the workload of the office. Approximately 40 percent of the real estate tax payments are received electronically from bank escrow services. Another 30 percent of real estate tax payments are received over the counter at Town Hall and 25 percent are received through the mail. The town also accepts payments through the internet with a service provided by Unibank. The town does not provide a means for taxpayers to leave a payment if town hall is closed.

The collector uses the services of a deputy collector, Hobin and Hobin, for assistance with the motor vehicle excise. The deputy receives the motor vehicle excise information directly from the Registry of Motor Vehicles, presents the file to the assessors and collector for review and approval. The assessors then commit the file to the collector who uses the deputy to print and mail about 15,000 motor vehicle excise tax bills annually. The deputy collector turns his receipts over to a town account weekly and receives his fees through the warrant process.

Daily receipts are posted at the close of the workday and deposited to a collector's bank account. The office has a check scanner which will process 300 checks a minute. It allows the collector to make her daily deposit electronically without a trip to the bank. The collector turns her receipts over to the treasurer weekly.

Abatements are received from the assessors electronically in MUNIS, and the collector's assistant is responsible for posting them to taxpayer accounts. As a practice, she does not post any abatements on Thursday and Friday and finishes processing them before month's end. Real estate and personal property exemptions also come from the assessor in MUNIS and are processed at year-end. Motor vehicle refunds are processed monthly, but refunds on overpaid property tax accounts are not made until the end of the year. No refunds are issued on overpaid water and sewer bills; overpayments are adjusted for in subsequent billing periods. She issues demands on delinquent accounts every May 15, moves still unpaid accounts into tax title process in December and transfers them to the treasurer. The collector maintains an up-to-date receivable control that is reconciled with the accountant every month, typically in the second

week after the close of the month. In accordance with state law, the office responds to requests for municipal lien certificates promptly.

Conclusion—The collector’s office performs all of the statutory duties of the office. There were anecdotal comments suggesting that collection efforts on delinquent accounts were not consistent, but we saw no direct evidence to support that. The issue still warrants review as we suggest above in Recommendation 4. Otherwise, our recommendations suggest ways for the collector to streamline and automate her operations, especially since she lost a staff person in the last year.

Recommendation 16: Deposit to a Treasurer’s Bank Account

We recommend that the collector deposit all receipts into an account maintained by the treasurer. Currently, tax, excise, and other payments received by the collector are deposited into a bank account she maintains. Turnovers to the treasurer occur weekly. We recommend instead that the tax collector make deposits directly into an interest bearing bank account under the control of the treasurer. As deposits occur, the tax collector would continue to prepare and deliver a departmental turnover sheet to the treasurer, with an attached copy of the deposit slip. The collector would retain a copy of the turnover sheet and provide one to the accountant, as required by law. As a result, the town will maximize its investment opportunity and the treasurer will have greater access to all town funds. The collector can focus on reconciliation of her receivable control rather than reconciling bank accounts. As a practical matter, we understand that collectors sometimes choose to receive funds into their bank accounts to guard against bounced checks. However, the treasurer already monitors for insufficient funds among checks received in other department turnovers, so performing the same function relative to collector receipts should not impose a problematic burden.

Recommendation 17: Install a Drop-Off Box at Town Hall

We recommend that the town install a drop-off box or mail slot so that taxpayers can drop off payments or other items outside of normal town hall hours. As a taxpayer convenience, many towns have installed a secure mail box so that payments can be delivered to town hall even when it is closed to the public. Kingston should do the same.

Recommendation 18: Delay End-of-Month Reports

We recommend that the assistant collector delay her generation of the month-end reports of collections activity from the last day of the month until the end of the first week of the subsequent month. The last day of the month is a regular collection day and entails counting and posting daily collections, and processing refunds, abatements and exemptions just like any other day. It is not necessary to both log the day's activity and generate monthly reports on the last day of the month. The reports would still be timely if they were generated the following week and the workload of the office would be more manageable.

Accountant

The accountant has a legal obligation to oversee all financial activity of a municipality. Through the maintenance of independent records, the office documents the flow of money into and out of municipal accounts and plays a role in the system of checks and balances established by statute to monitor and protect local assets. To these ends, the accountant prepares warrants; maintains a general ledger where receipts, expenditures and all other town financial activity are recorded; reconciles cash, debt and receivables regularly with the treasurer and collector; and, produces a monthly expenditure report. The accountant also tracks revenue, is required to maintain a detailed record of the town debt, and to report annually on the town's liability for accrued sick leave and vacation time. Among required submissions to DOR, the accountant is responsible for producing the town's annual Schedule A by October 31 and its year-end Balance Sheet (for free cash certification). Finally, the accountant works with the assessors and town clerk in the preparation of the town's Tax Recap Sheet.

The Kingston town accountant is a salaried position budgeted for a 35-hour work week. A full-time clerk works 35 hours a week. The town accountant assists in the budget process and serves as a principle source of information for the Budget Advisory Board, the Finance Committee and department heads. This year she responded to the Budget Advisory Board's requests for more detailed reports by department as the board deliberated on the budget.

The accountant reconciles cash and receivables with the treasurer and collector monthly. Trust funds and debt are reconciled quarterly and she maintains a yearly debt schedule (statement of indebtedness). The accountant, collector and treasurer are mindful of the importance of accurate, frequent and timely reconciliations and work cooperatively to resolve their differences.

The assistant accountant prepares the weekly vendor warrant for town departments and the monthly school department warrant. Most departments prepare a cover sheet summarizing the bills they are submitting; there is no standard form for this purpose, some sheets are handwritten. No department is taking advantage of the MUNIS feature of entering their invoices to a proof for the accountant's office to review and post. The assistant completes the appropriate checks for each bill before entering the information into MUNIS to generate the warrant. The accountant approves the warrant before it goes to the selectmen for their signature. The signed warrant is returned to the accountant who then generates the checks for the treasurer's signature.

The accountant receives copies of all grants and contracts from town departments in order to substantiate the revenue sources against which vendor payments are charged, and to verify that the terms of contracts are met before payments are made. However, it was reported to us that in some cases not all departments return a signed copy of their contract to her office. It was also reported to us that not all bills are paid within 30 days because certain departments are slow in submitting their bills to the accountant's office for the warrant.

Another important office responsibility is verifying payroll and tracking employee accrued sick and vacation time. The assistant accountant imports the Harpers data into MUNIS to generate the payroll warrant and checks the accruals against the timesheets as an independent verification. The accountant also checks the year-to-date accruals printed on employee pay stubs against an independent record she compiles from employee time sheets.

Conclusion—The accounting function is paramount to the credibility and integrity of town financial records. Fundamental responsibilities relative to the general ledger, the payroll and vendor warrant processes, as well as reporting requirements are competently fulfilled. At the same time, there is some concern that higher order accounting functions are being given short shrift because of all the data entry the office does. The accountant herself expressed regret that she did not have more time to devote to monthly reconciliations. Our recommendations are intended to help the town accountant streamline operations, freeing her to work on more important matters.

Recommendation 19: Customize Vendor Warrant Cover Sheets

We recommend that the accountant design an invoice cover sheet for each department. Many communities are moving toward utilization of cover sheets, designed as Excel spreadsheets in a single format and customized by department, when submitting invoices to the accountant for payment approval. Typically, the form is created once as a template and e-mailed or manually distributed to each department. The name of the department is at the top of the page with appropriate locations at the top or bottom for dates, affirmations and signatures. The form is also preprinted with one column that lists all the vendor numbers that originate from the department and a second column with corresponding account numbers. A third, blank column allows for the manual entry of billing amounts. If entered electronically, the total can be automatically calculated at the bottom. Currently, all departments are submitting their bills with cover sheets, but there is no standard format. While most are typed, several departments are still submitting handwritten cover sheets, and no one is submitting their cover sheet electronically. For the monthly school warrant, the accountant should work with the school business office to include a column showing the town's account numbers in addition to the school department's account numbers. The accountant should consider this format and the efficiency it brings to the exchange of financial information.

We further recommend that the accountant direct all departments to submit their bills in a timely fashion. As a change in standard procedure, the accountant will likely have to issue detailed instructions to departments about the new process. We also understand that some departments are not diligent about submitting bills in a timely fashion so that they can be paid

within 30 days. We recommend that the accountant use this as an opportunity to remind all departments of their responsibility to submit bills as soon as possible.

Recommendation 20: Institute a Pilot Program of Remote Entry

We recommend that the accountant institute a pilot program requiring certain departments to enter their own invoice information into the town's financial software remotely. The assistant accountant spends hours a week inputting invoices into the financial software as the first step in processing bills for payment and creating the vendor warrants. Most departments have access to MUNIS and could take advantage of its remote access features to enter their own invoices. We understand that the accountant is resistant to this idea because she wants to ensure the information is entered correctly. However, with training, departments could be responsible for the data entry of their own vendor invoices freeing the accountant and her assistant to focus on data verification before posting the entries.

Therefore, we suggest that the accountant begin with a pilot program, selecting one or two of the departments to start. The accountant would still receive invoices in hard copy and her office would still verify the accuracy of entries before posting them. The program could be expanded to additional departments as the accountant's comfort level increases. This would free the accountant and her assistant to spend more time on other tasks.

Recommendation 21: Prepare Vendor Warrants Biweekly

We recommend that the town change its schedule and procedure for processing vendor warrants. Currently, the assistant accountant prepares the vendor warrants for the selectmen's signature on a weekly basis. The process is timed so that the warrant is ready for signature on Tuesdays, the selectmen's regular meeting date. However, a weekly warrant requires selectman to make a visit to town hall on the off-meeting week to attach their signature to warrants. We recommend instead that all invoices be submitted every other week and be timed so that the accountant can prepare the warrant for the selectmen's regularly scheduled biweekly meeting. This would save on the selectmen's time by eliminating an interim week visit to town hall. Despite moving from a one-week to a two-week warrant schedule, bills would still be paid within the required 30 days if departments submit their invoices to the accountant in a timely fashion. The workload of the office could be spread further if the monthly school warrant is prepared in one of the alternate weeks.

Recommendation 22: Require Signed Copies of Grants and Contracts

We recommend that departments, boards and commissions submit signed copies of all grants and contracts to the accountant's office in compliance with MGL Chapter 41 §57. The accountant must maintain the proper documentation to substantiate the revenue sources against which vendor payments are charged, and to verify that the terms of the contract were met when payment was made. This recommendation is really directed at the several departments that are remiss in returning their documentation to the accountant. Therefore, whether a department reports to the selectmen or to an independently elected or appointed board, it must return the signed copies of all grants and contracts to the accountant.

Recommendation 23: Change the Format of the Payroll Warrant

We recommend that the payroll warrant be prepared as a listing by employee. Under current practice, the selectmen are presented with a payroll warrant listing a series of salary account numbers with a corresponding dollar amount. While this format is appropriate for the purposes of the accountant's general ledger, greater detail is required on payroll warrants.

Whether incorporated into the warrant or attached as back-up documentation, gross, or preferably net, pay listed by employee must be made available if the selectmen's obligations under MGL Ch. 41 §52 are to be met. To comply, whoever approves the warrant must be able to inspect and view each individual payment, which in this case would at least be an employee's name and gross salary. Net salary might also be included, but not individual withholding amounts, which should be indicated in the aggregate on the payroll warrant.

Assessors

The assessors' office is responsible for valuing all the town's real and personal property, assigning tax payments to owners, and generating the commitments authorizing the collector to collect real estate tax, personal property tax and motor vehicle excise payments. In Kingston a three-member board of assessors determines property values, new growth and the overlay. The elected assessors appoint a full-time assistant assessor to perform all the administrative functions of the assessing office. He is assisted by two full-time clerks.

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

The workload of the Kingston assessing department involves 4,638 residential real estate parcels, 173 commercial parcels, 84 industrial parcels, 54 parcels of mixed use and 47 parcels in agricultural, forestry or recreational use. There are an additional 447 personal property accounts. A cyclical property re-inspection program is completed every nine years; the most recent re-inspection was completed for the town's FY2010 recertification. The assessors received 125 real estate abatement applications and granted abatements totaling \$67,500 in FY2009. Kingston voted to assess the maximum community preservation (CPA) surcharge of three percent and the residential, the low-income, and the low-and-moderate-income senior exemptions beginning in FY2006. The two income qualifying CPA exemptions require an annual application because the income thresholds change annually. Once approved by the board, the assessing clerks enter the abatement and exemption amounts into MUNIS for the collector to post. Over the course of the year, motor vehicle commitments total about 15,000 accounts. The town also imposes the boat excise on approximately 300 accounts; the assistant assessor credits his success in imposing the boat excise to his good working relationship with the town's harbormaster.

The assistant assessor is responsible for property inspections, property valuation analyses and makes annual recommendations to the board on new growth. He uses an outside contractor, Vision, to determine the commercial property values. Vision also provides the appraisal software for the assessing office computers. Most residential real estate and personal property inspections, including abatement inspections, are performed by the assistant assessor. One of his

assistants is a certified assessor and performs inspections when he is unavailable. The assessors are very satisfied with the performance of the consultant and the software packages.

Day-to-day office functions, including all data entry, are performed in-house by the assistant assessor and his two clerks. Deeds are received from the Registry of Deeds monthly and the clerks enter the updated information into the software and onto a paper deed card. The office does not send sales questionnaires to new property owners because the assistant assessor does not believe that they add much information; he is able to inspect approximately 85 percent of all sales properties. Requests for commercial/industrial property income and expense information are mailed annually, as are forms of list to update personal property accounts. The assistant assessor receives the building permits from the building department once a month, enters the data into the Vision property appraisal software and does the drawings.

The office accepts money from taxpayers for copies of property record cards, abutters' lists and other information. Other foot traffic to the office includes taxpayers seeking property records and abatement and exemption forms. The assessors have a page on the town website which contains links to abatement and exemption forms, assessor meetings minutes and a list of items that may be requested in person, but it lacks property record information.

The office maintains digital copies of the assessor's maps which are available on-line at the town's website. The town uses Cartographic Associates, Inc. to update the maps annually with electronic maps from the Registry of Deeds. As mentioned previously, no town office has any GIS capability, but the assistant assessor would like to add it when budget conditions improve.

Conclusion—Overall, the assessing office performs well. Staff are knowledgeable and diligent. However, we do make a minor recommendation to improve taxpayer access to property record information.

Recommendation 24: Place Property Records On-Line

We recommend that the assessor place property records on-line. In order to reduce foot traffic and free up staff time, a growing number of assessing offices make property records available to the public on line. In this way, residents, appraisers and others can independently and conveniently search property records and print field card type information without creating office disruptions. In addition to minimizing office traffic, it offers convenience and flexibility to taxpayers. It also sends a message to taxpayers about progressive customer service and the use of technology. We understand that this is in progress.

Water and Sewer Enterprise Funds

Kingston has adopted separate enterprise funds for its water and sewer operations. An enterprise fund establishes a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. Revenues and expenses of the service are segregated into a fund with financial statements separate from all other governmental activities. One advantage of enterprise accounting is that it allows a community to identify the total cost of a service. Any operating surplus of the enterprise (actual revenues in excess of estimates and appropriations in excess of expenses) is retained in the enterprise fund at fiscal year-end, and can be accumulated to finance capital needs or to offset rates. Massachusetts law also allows towns to add enterprise betterments and charges to the real estate tax bills in order to permit tax taking and foreclosure procedures to enforce their collection.

Water Enterprise

The water enterprise has a \$1.3 million budget for FY2010 and supplies water to roughly 4,000 total accounts. The staff of seven is overseen by a three-member board of elected water commissioners. The commissioners meet quarterly to review rates but have made no changes since 1997. The water enterprise is a relatively simple operation. There is no water treatment plant; lime is added at the pumping stations to combat pipe corrosion. Meters are read quarterly and include a variety of types. The majority are radio read meters, but there are telephone, touch pad and manually read meters as well. The touch pad and manual read meters require hand entry of the billing information into MUNIS, but are being gradually phased out in favor of the radio read meters. Charges are committed to the collector seamlessly since both offices use MUNIS. The collector is responsible for billing and collection of the water charges. The enterprise annually reimburses the General Fund approximately \$165,000 for the estimated costs incurred by the collector and other town offices for water enterprise activities. The enterprise fund ended FY2009 with a \$1.3 million surplus.

Sewer Enterprise

The sewer enterprise is a \$3.4 million operation in FY2010 serving approximately 1,600 residential and business accounts. From a financial management perspective, the sewer enterprise is not only larger, but also faces the problematic betterment issue (discussed in the Overall Financial Management section). The enterprise plant and equipment are in good condition and well run. Like the water commission, a three-member board of sewer

commissioners meets quarterly to set sewer usage rates, and the charges are committed to the collector for collection. However, sewer rates have been subject to change and are set retroactively, i.e., rates are set for the next quarter based on the previous quarter's revenues and expenditures. The sewer enterprise also generates a sizeable surplus and had a \$1.5 million fund balance at the end of FY2009.

The sewer enterprise has a large amount of delinquent collections. A recent report lists an outstanding amount of \$240,000 for all accounts that are delinquent more than 120 days. Much of the money is owed by some very large ratepayers—\$117,000 is owed by 28 accounts, and one ratepayer owes \$45,000 in combined water and sewer charges.

In addition to the regular operating charges, most of the 1,600 ratepayers were assessed sewer betterments and liens were attached to the properties to secure the town's interest. Roughly 330 betterments have been paid in full and the liens released. The remaining active betterment accounts are problematic because a large number of payment records were inadvertently deleted from the MUNIS software. This situation creates a lot of work for the sewer department staff, the assistant assessor, and the collector. The three offices have to reconcile their paper records every time a customer seeks to make a sewer betterment payoff. The assistant assessor also hand keys the betterment charges for the accounts with missing payment records once each fiscal year.

Conclusion—The water and sewer enterprises are well run and have ample reserves to finance any unforeseen capital needs. The two biggest problems are the delinquent sewer accounts and the sewer betterment issue. These two issues involve other town departments and will require their cooperative effort to resolve and are discussed in recommendations 4 and 10. Our recommendations for the enterprises suggest changes to the rate setting process and a review of surplus revenue needs that are equally applicable to the water and sewer enterprises.

Recommendation 25: Adopt a Prospective Rate Setting Process

We recommend that the town adopt a formal rate setting process for the water and sewer enterprises which sets new rates prospectively. Such a policy provision would specify a timeline for the setting of the water and sewer rates by the water and sewer commissioners. An annual process should begin in the spring and run parallel to the town's budget process. The process should include an analysis of usage, expenditures and revenues from the previous year, and anticipate any changes for the coming year. Then a rate could be established to raise the needed amount of money to fully support the service provided for the year ahead.

Recommendation 26: Evaluate Future Capital Needs and Surplus Position

We recommend that the water and sewer commissioners review the future capital needs of the enterprises and reevaluate their surplus position. Both the water and sewer enterprises have accumulated sizeable surpluses relative to the size of their annual expenditures. In the case of the water enterprise, the surplus of \$1.3 million is sufficient to fund the enterprise's operations for an entire year. The sewer surplus of \$1.5 million approaches one-half of the annual sewer budget. It is prudent to build and maintain adequate reserves in order to accumulate funds for capital needs and to be able to accommodate unforeseen contingencies. However, these surpluses are relatively large compared to other communities.

Acknowledgements

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