



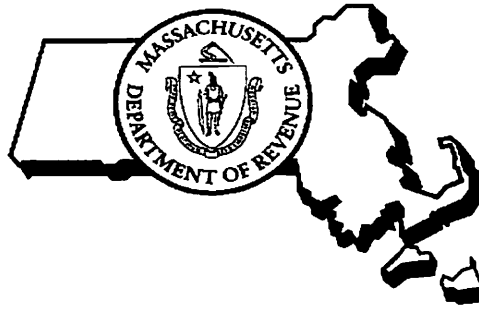
# *Town of Northbridge*

## *Financial Management Review*

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*Municipal Data Management and Technical Assistance Bureau*

*October 2000*



## **TOWN OF NORTHBRIDGE**

### **FINANCIAL MANAGEMENT REVIEW**

#### **INTRODUCTION**

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

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 town accountant, treasurer/collector, principal assessor and staff members in each of these offices. The team also interviewed the town manager, a member of the board of selectmen and school officials.

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

In reviewing the existing financial management, we have focused on: (1) improving communication and cooperation between the financial officers, and (2) the performance of the financial operations in such a way as to maximize resources and minimize costs.

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

## **EXECUTIVE SUMMARY**

In 1990, the Division of Local Services completed a financial management review of the town of Northbridge. At that time, the town was experiencing financial problems due to severe cuts in state aid. The town was also relying heavily on free cash to balance its operating budget. In FY90, as a result of reduced local aid and dwindling reserves, the town applied for and received a state Emergency Grant.

Prior to the 1990 report, the town operated with a form of government that was "decentralized." According to the report, the town administrator had "little input during the [budget] process" and did not play a coordinating role in terms of the town's overall financial management. The budget process was characterized as "fragmented with a need for greater coordination and more frequent communication between key participants." Key financial officers such as the treasurer and collector were elected officials and there was an "atmosphere of distrust" among several of the financial officers.

Since the early 1990s, the town's overall financial picture has improved. As of July 1, 1999 free cash and the stabilization fund exceeded one million dollars each.<sup>1</sup> The town also took several important steps toward dealing with financial issues in a more coordinated fashion by adopting a charter in 1990. It provides for a strong "town manager" form of government and charges him with the responsibility to coordinate the budget process and also prepare a five-year capital outlay program. The 1990 charter also combined the offices of the treasurer and collector and gave the town manager the power to appoint the treasurer/collector and all other department heads.

Over the past ten years, the financial officers have played a significant role in improving the town's financial operations. The financial officers who currently hold the positions of town accountant, treasurer/collector and the principal assessor generally do a good job performing their respective duties. However, strained working relationships between the financial officers persist. During our interviews and visits to the town, we observed that most of the problems in the financial offices tend to occur in situations where the officers need to work together in order to accomplish certain tasks. However, in any given city or town, the performance of duties relating to municipal finance usually involves the staff and operations in more than one financial office.

The ability of one financial office to perform its duties depends in many ways on the information it receives from one or more of the other financial offices. A good example of a financial function that involves the operations of more than one financial office and the transfer of information between these offices is billing for real estate taxes. The process for real estate tax billing begins with the assessors who maintain a database of values for each parcel of property in the town (about 5,200 real and 300 personal property accounts). From this database, they create the property tax commitment,

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<sup>1</sup> Certified free cash as of 7-1-99 was \$1,127,071; FY99 stabilization--\$1,673,627.

which lists each parcel, its owner, and the amount of taxes owed. The treasurer/collector relies on the assessors to provide her with commitments that contain accurate data since she uses this information to generate property tax bills and create the receivable file. So that she can meet deadlines for mailing bills, the treasurer/collector must receive the commitment from the assessors in a timely fashion.

In Northbridge, the commitment prepared by the assessors for real estate tax billing for the first quarter of FY2001 caused problems with processing payments in the treasurer/collector's office. The principal assessor created a tape of the FY2001 tax commitment in the COBOL version of MUNIS. A few months later the town upgraded its tax billing software to a later version of MUNIS. This caused problems in processing real estate payments collected by the lock box since the account information used by this service originated from the commitment created in COBOL. As a result, the treasurer/collector's staff ended up having to hand post payments to over 2,500 accounts. Hard feelings between the principal assessor and the treasurer/collector resulted over this mishap. Each one feels that this problem could have been avoided had the other person taken into account the upgrade that was scheduled to occur at a later date.

Though more discussion between the principal assessor and the treasurer/collector prior to the preparation of the commitment may have avoided this situation, it is not uncommon for problems like this to occur during a major software conversion. The transition from the COBOL version of MUNIS to the newer 5GL version began in November 1999 without the assistance of a full-time computer support person. For the last three years, the principal assessor has functioned as the town's part-time MIS person in addition to fulfilling his full-time duties in the assessors' office. At times he has felt uncomfortable in this role since he has been held responsible by the town manager and his peers for computer related problems. Recognizing the need for a full-time MIS director, the town is in the process of hiring someone to fill this position. Needless to say, undergoing this transition, in addition to fulfilling day-to-day responsibilities, has been time-consuming and has caused a great deal of stress for staff in all the financial offices.

As a means of facilitating cooperation and communication among the financial officers, we suggest the town establish a financial management team. Membership should include officials from the town side of government such as the town manager, the financial officers and the MIS director and also a representative from the school department such as the business manager. We feel that meeting as a group year round to work on complex issues and achieve common goals will help foster better working relationships. We also emphasize that the town manager should play a lead role in organizing and chairing the team meetings. Since the financial officers are more or less peers, it is often difficult for them to resolve disputes among themselves. The financial team needs a leader who can moderate these disputes as well as establish goals and objectives and keep the group focused on their attainment.

Another reason why the town should proceed with organizing financial team meetings is that contention has arisen between the school committee and the town's financial officers over budgeting and reporting school expenditures needed to meet net school spending requirements. Since this issue involves the school department as well as several other town departments—the town manager, town accountant and the treasurer/collector—it is a prime example of a financial matter that can be dealt with effectively using the financial team approach.

As already mentioned, the financial offices are generally well run. In each office, however, we feel there are some operations which could use some improvement. For example, we recommend the accountant and the treasurer/collector reconcile receivables at least quarterly, preferably monthly. Although they reconcile receivables toward the end of the fiscal year, we feel that more frequent reconciliations will make it easier to detect and correct errors.

In the treasurer/collector's office, our chief concern was over the use of handwritten spreadsheets for recording bank account activity and miscellaneous cash receipts. Since maintaining manual spreadsheets is a time-consuming and labor intensive task, it would save time and effort to create and maintain these records in Excel. We also point out that the treasurer/collector's office keys data from the handwritten sheets into Lotus spreadsheets. However, we recommend the treasurer/collector use Excel since this application, unlike Lotus, resides on the town hall computer network and is backed up nightly.

As for the assessors, we recognize the need for additional staffing in this office. This will provide the principal assessor with more time to perform appraisal duties, since he must take time away from these duties to cover for the assistant assessor when she is not available. Hiring an MIS person will also free up time for the principal assessor and help improve his relationships with his peers.

The recommendations pertaining to each financial office are offered as a means of helping to fine-tune operations. Since the financial offices are generally well run, none of these offices needs to make major operational changes. We feel the main concerns for the town in terms of overall financial management are the working relationships between the financial officers and also the relationship between town and school officials. Establishing a financial team should help the town address problems in both these areas.

**SUMMARY OF PRIMARY RECOMMENDATIONS** [By page]

- 1) General: Establish a financial management team to foster better cooperation and communication between the financial officers. [6]
- 2) General: Work jointly with the school department to determine indirect costs used in the calculation of net school spending. [8]
- 3) Accountant: Reconcile receivables with the treasurer/collector monthly. [11]
- 4) Accountant: Gather information concerning GASB #34. [11]
- 5) Treasurer/Collector: Conduct a cost benefit analysis of changing from semi-annual to quarterly sewer billing. [14]
- 6) Treasurer/Collector: Create an automated cash book and record cash receipts in Excel. [15]
- 7) Treasurer/Collector: Convert from Lotus to Excel. [15]
- 8) Assessors: Consider obtaining additional part time office assistance. [17]
- 9) Assessors: Perform interim year adjustments to value. [17]

## **OVERALL FINANCIAL MANAGEMENT**

The town's financial officers regularly perform duties that have a major impact on the town's financial condition. Though each office oversees a particular area of responsibility, operations in these offices are interrelated. They also commonly share substantial amounts of information in order to perform various functions. Therefore, good financial management requires coordinating the expertise and individual efforts of the financial offices.

The town's financial offices and their basic responsibilities are as follows:

- The *assessors* oversee real and personal property valuations. This has an impact on the property tax, which is usually the largest revenue source of a town.
- The *town accountant* maintains the town's key financial records and is responsible for the preparation of numerous summary reports, including the annual statement of expenditures and revenues and the annual balance sheet. She also reviews proposed expenditures to make sure that money has been lawfully appropriated to pay for them.
- The *treasurer/collector* is the "cash manager" of a city or town and is responsible for the collection, deposit, investment and disbursement of all town funds.

These financial officers also play an important role in the budget process since accurate and timely information from these offices, such as revenue projections and estimates of fixed costs, provide an indication of how much money is available to fund operating budgets in the upcoming fiscal year.

The person who is in the best position to coordinate the operations of the financial offices is the town manager. As the town's full-time professional administrator, he is charged with advising and directing all town departments in administering town functions. He is also charged with general financial management and budget coordination duties.

The school administration also plays a significant role in the town's financial management. The Education Reform Act of 1993 has imposed mandatory school spending requirements and added a level of complexity to the town's budget process. Since school budgets typically account for 50 percent or more of a town's annual operating budget, the need for good communication between school and municipal officials is heightened.

**Finding 1: Establish a Financial Team**

The town manager meets biweekly with all municipal department heads (including the financial officers) to discuss various operational issues and also to prepare the annual budget. He also attempts to meet with each financial officer at least once daily regarding operational issues. However, he does not regularly meet with the financial officers as a group. In the past year or two, one or two of the financial officers has taken the initiative to arrange a group meeting. However, the town manager did not attend these meetings. Attempts to hold these meetings without the town manager were unsuccessful. Consequently, they have been discontinued.

**Recommendation 1: Establish a Financial Team**

We recommend that the town establish a financial management team through the adoption of a bylaw. The financial management team should be chaired by the town manager and meet on a regular basis throughout the year. It should also include the accountant, treasurer/collector, school business manager, principal assessor and the MIS director. The bylaw would formalize the participation of the above officials in the financial team process.

The purpose of the financial management team is twofold: (1) to provide analytical support to the town's policymakers, and (2) to function as a forum for the discussion and resolution of operational issues that confront members of the financial team. In terms of analytical support, the financial management team would be a resource for the board of selectmen, the finance 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 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.

These meetings should also provide the opportunity to discuss operational issues. Since several functions of the financial officers perform are interrelated, they may find that one or more of their peers has experienced similar problems and may be able to offer a solution. The MIS director should participate in these meetings as well, since he will be responsible for computer-related issues in all departments. His input may help avoid situations like the one that occurred over the preparation of the FY2001 real estate tax commitment.

The town manager should regularly attend the financial team meetings and also provide leadership and direction as chairman. As the town's full-time, professional administrator who oversees the daily operations of the town, he is in the best position to serve as a conduit for communication among the various financial officers and the focal



point for coordinating initiatives that cut across more than one office. Performing as chairman of the financial team is in keeping with the town's bylaws that state that "the town manager shall be responsible for the coordination of the administrative heads of each department...and for the review and analysis of the operation and administration of all town agencies."<sup>2</sup> His participation as the team leader is crucial, since the peer relationships that exist between the financial officers make it difficult for them to resolve disputes.

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

### **Finding 2: Determining Indirect Costs for Net School Spending**

Since passage of the Education Reform Act of 1993, each community has an annual minimum school spending requirement. This figure is called "net school spending." Budgeted school spending in the current year and actual spending from the prior year are reported to the Department of Education (DOE) on the End-of-Year Pupil and Financial Report on Schedules 19 and 1, respectively.

To determine the school department appropriation necessary to meet net school spending, allowable indirect costs<sup>3</sup> (expenditures made by the town in support of the school department) must first be calculated. Deducting these indirect costs from required net school spending yields the school department operating appropriation needed to meet net school spending. However, it is important to bear in mind that indirect costs allocated to a particular department are estimates rather than exact costs. Also, calculation methods vary. Sometimes, this bothers officials who like to have precise cost figures. Therefore, it is important that municipalities and school districts work together to mutually agree on a methodology for calculating indirect costs.

In December 1999, the town received notification from DOE that it was short of meeting the minimum spending requirement for FY2000. Consequently, it had to appropriate an additional \$85,000 to the schools. This raised concern in the school department over the town's methods for determining some of the indirect costs used in the calculation of the school committee appropriation.

For the indirect cost of health insurance, the school department requested that the town document the figures it reported on the Schedule 1 of the 1998-1999 End of Year Report.<sup>4</sup> In response, the treasurer/collector used the town's health insurance bills to

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<sup>2</sup> Town of Northbridge Code of Bylaws (July 1999), §4-102; [p.403]

<sup>3</sup> These costs generally include school choice and charter school tuition payments, school employee benefits, property insurance, school maintenance costs incurred by other departments and administrative costs such as accounting, payroll and data processing.

<sup>4</sup> This is the **actual** amount the town certifies it spent for school department health insurance for the September 1998-June 1999 school year.

calculate this amount. However, the amount calculated by the treasurer/collector was \$38,000 lower than what was reported on the Schedule 1. The accountant says the amount she reported on the Schedule 1 was determined by annualizing one month's cost to the town for school department health insurance.

Since the amount provided by the treasurer/collector was lower than what was originally reported, the school committee feels that the town may be reporting more to the DOE than it is actually contributing toward net school spending. Given the fact that the town's contribution to net school spending is not far above the minimum, the school department is determined to make sure that the town—at the very least—meets the minimum requirement.

In April 2000, the assistant treasurer/collector compiled a database of every employee's (both town and school) health insurance coverage.<sup>5</sup> She extracted this information from the monthly bills received from the insurance companies.

### **Recommendation 2: Determining Indirect Costs for Net School Spending**

We recommend that the town and the school department agree, in writing, upon methods for determining allowable indirect costs. As stated above, there are various methods of determining of indirect costs. The database recently compiled by the treasurer/collector's staff should provide the actual figures for these costs. Some communities, however, use less exacting methods, such as allocating indirect costs to other departments according to a percentage. Regardless of the method chosen, it is important that both the town and school department agree upon fair and reasonable procedures for determining indirect costs. In fact, DOE regulations<sup>6</sup> require that each school district choose one allocation method and use this method consistently from year to year. Changes in allocation methods are subject to the approval of the DOE commissioner. The Department of Revenue's *Workbook for Costing Municipal Services* discusses allocation methods for indirect costs that are relatively easy to use.

The financial team meetings would afford town and school officials the opportunity to discuss methods for determining indirect costs and for preparing estimates of these costs that are included in the calculation of net school spending. For example, in the case of health insurance premiums, if rate increases are anticipated, the town and the schools should agree upon allowances for these increases. By the same token, the town and schools should agree upon allowances for increasing the estimate based upon the school department's net increase in number of employees for the upcoming school year. These estimates should be determined during the budget process so that they are included in the annual town meeting appropriation.

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<sup>5</sup> As of August 2000, there were 463 employees (town and school), including retirees, who subscribe to one of the town's health insurance plans.

<sup>6</sup> Commonwealth of Massachusetts. Department of Education. Guidelines for Student and Financial Reporting including Regulations on School Finance and Accountability (603 CMR 10.00). June 1998: 49

We suggest the town and schools jointly prepare the worksheet provided in **Appendix 1**. This will aid in the preparation of sound estimates for indirect costs used in the calculation of net school spending and help avoid situations like the one that occurred in FY2000 where the town had to appropriate additional funds to meet the minimum spending requirement.

## **REVIEW OF THE FINANCIAL OFFICES**

### **Town Accountant's Office**

The town accountant is appointed by the town manager in accordance with the town charter and bylaws and works full-time. She has held this position for almost 3 years. This office is also staffed by a full-time person whose duties are devoted solely to processing accounts payable and a part-time person who administers the town's retirement system.<sup>7</sup> From November through April, the accountant's office upgraded to the MUNIS 5GL version for the general ledger, accounts payable, budgeting and purchase orders and requisitions.

Although the conversion has taken its toll on staff, there are benefits that are already being realized. For example, the school department has converted to the new MUNIS software for accounts payable and payroll. This has eliminated the duplication of data entry between the town and school department that was involved in processing accounts payable. Though the financial offices used MUNIS before the arrival of the current town accountant, it was not utilized to its fullest capability. The current accountant has taken steps to implement usage of more MUNIS functions such as the budget module. This system can be used to enter next year's proposed budget figures, produce worksheets and proposed budget reports, and automatically roll town meeting appropriations into the accountant's appropriation ledger, eliminating redundant keying efforts.

At one time the accountant and the treasurer/collector were having difficulty working together to reconcile cash. However, it appears that these two financial officers have been able to resolve this matter. The treasurer/collector is providing the accountant with the information she needs to reconcile cash, such as a monthly summary sheet of bank account activity and a monthly turnover sheet of cash receipts.

#### **Finding 1: Reconciling Receivables with the Treasurer/Collector**

The accountant says that she does not reconcile receivables with the treasurer/collector on a regular basis. However, the treasurer/collector and the accountant reconcile receivables close to the end of the fiscal year so that they can produce a balance sheet as required by the state Bureau of Accounts. According to both the accountant and the treasurer/collector, they would like to reconcile receivables at least quarterly but have not had time to accomplish this.

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<sup>7</sup> The Town of Northbridge funds and administers its own retirement system for its municipal employees separate and apart from the Worcester County Retirement System. The Northbridge system currently services about 100 retirees and has about 300 active participants composed of school and town personnel.

**Recommendation 1: Reconciling Receivables with the Treasurer/Collector**

We recommend that the accountant and the treasurer/collector establish monthly procedures to reconcile receivables. Though the treasurer/collector and the accountant eventually reconcile receivables toward the end of the fiscal year, monthly reconciliations will make it easier to locate and correct any posting or reporting errors. It will also make it easier to produce accurate financial records and reports that are essential requirements for outside agencies such as the state Bureau of Accounts.

The treasurer/collector should review her records monthly and report any outstanding receivable balances to the accountant's office. When compared to the accountant's receivable balances in the general ledger, these should match. If variances between these balances exist, the offices must identify the cause of the variances (e.g., reporting errors, timing differences in reporting, missing information) and reconcile them.

**Finding 2: GASB #34**

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

**Recommendation 2: GASB #34**

We recommend the accountant begin now to gather information concerning GASB #34.

The implementation of GASB #34 will be a difficult and complex task for Massachusetts cities and towns. There will be start-up and ongoing costs coupled with the need to modify current accounting methodologies or adopt an entirely new accounting system. Although the town accountant in Northbridge has instructed all department heads to tabulate a list of fixed assets in their possession, it is important that they also assign values to these items. Information relative to the requirements of and potential costs to implement GASB #34 is available from the Government Accounting Standards Board (GASB), the Government Finance Officers Association (GFOA) and the state Division of Local Services (DLS).

### Treasurer/Collector's Office

The treasurer/collector is appointed by the town manager and has held this position in Northbridge for about eight years. There are four full-time staff (including the treasurer/collector) who work in this office and also a part-time assistant who works about 15 hours per week.

The treasurer/collector's office has recently upgraded from the COBOL version of MUNIS to the 5 GL version for real and personal property taxes. The upgrade for motor vehicle excise and tax title occurred in September.

### Collector's Operations

In FY2001, the treasurer/collector's office will collect approximately 5,000 real estate and 300 personal property tax bills. The town has adopted quarterly tax billing for the collection of real estate and personal property taxes. The treasurer/collector uses a vendor to print and mail property tax bills.

The deputy collector prints and mails motor vehicle excise bills. Approximately 15,000 motor vehicle excise bills are issued and collected each year. A lockbox is used for real estate, personal property and motor vehicle excise payments. The treasurer/collector estimates that approximately 50 percent of all payments are received through the lock box. On average, the treasurer/collector estimates that her office processes approximately 50 Municipal Lien Certificates per month. The treasurer/collector's office also collects all water and sewer user charges and sewer betterments.

In addition to these duties, the collector is responsible for pursuing delinquent tax amounts. In Northbridge, the collector has been especially successful in maintaining a low level of real estate tax receivables (**see Table 1**).

<b>TABLE 1: TAXES RECEIVABLE (YEAR ENDED JUNE 30, 2000)</b>	
<b>Real Estate</b>	<b>Uncollected as of June 30, 2000</b>
2000	126,560.16
1999	633.30
1998	1,673.53
1997	(579.52)

With final payments due on real estate tax bills on May 1<sup>st</sup>, the collector places delinquent accounts into tax title by September or October of the following fiscal year.

### Water and Sewer Billing

There are two separate water suppliers that service the Town of Northbridge—the town water department and the privately owned Whitinsville Water Company. Each water supplier covers roughly half of the town. Whitinsville Water Company reads water meters and prints and mails out bills for town water users as well as its own customers.

The town's sewer system overlaps both town and Whitinsville Water Company customers. Whitinsville Water Company also handles sewer billing for the town since sewer charges are based on water consumption. Water use is billed four times per year while sewer bills are mailed twice per year.

The treasurer/collector collects and deposits water and sewer payments, but does not post the payments against a commitment list. Rather, bills are sent back to the Whitinsville Water Company and posted to their records. A problem arises for customers who do not have their water or sewer bill on hand and attempt to pay at the treasurer/collector's counter. Although Whitinsville Water Company periodically provides the treasurer/collector with a print-out of balances due by account number, her staff has difficulty using this list, since customers without a bill in hand may not know their account number. Consequently, in these instances, the treasurer/collector's office usually calls Whitinsville Water Company and asks what the customer owes.

The town should consider moving the posting responsibility into the treasurer/collector's office to alleviate this problem. In making this decision, the town should weigh the costs and benefits, explore the practicality of getting an electronic commitment from the Whitinsville Water Company and analyze the additional staff needs in the treasurer/collector's office.

### **Finding 1: Conduct a Cost Benefit Analysis of Changing from Semi-Annual to Quarterly Sewer Billing**

The public works director, who oversees water and sewer operations for the town, thinks that the town should consider changing from semi-annual to quarterly sewer billing. Since sewer bills are mailed every six months, users receive two sewer bills for large amounts rather than four bills for lesser amounts. Also, if both water and sewer charges could be placed on one bill, the town may realize savings in the cost of producing bills. However, customers who use the Whitinsville Water Company's water supply and the town's sewer system would have to continue to receive separate water and sewer bills.

**Recommendation 1: Conduct a Cost Benefit Analysis of Changing from Semi-Annual to Quarterly Sewer Billing.**

We recommend the sewer department conduct a cost-benefit analysis of converting from semi-annual to quarterly sewer billing. In addition to making it possible to combine water and sewer bills on one invoice and allowing rate payers to make smaller payments, quarterly billing improves cash flow by providing a more evenly distributed flow of revenue. Last year, however, Whitinsville Water Company's mailed out approximately 5,000 sewer bills. This figure will double if the town opts for the quarterly sewer billing system. This will result in an increase in sewer billing costs. Also, the number of sewer payments collected by the treasurer/collector's office will also double. As a consequence, the town may assess the sewer enterprise additional charges. Therefore, the sewer department needs to determine the additional costs (postage, materials, labor) involved in converting to quarterly billing and decide whether or not these costs outweigh the benefits.

**Treasurer's Operations**

The treasurer's office is responsible for payroll, health insurance, and cash management, including the investment, disbursement and borrowing of cash. The office also handles bank deposits, tax title account collections, and foreclosure proceedings. Century Bank in Medford maintains the town's lock box.

**Finding 1: Create an Automated Cash Book and Record Cash Receipts in Excel**

The assistant treasurer/collector maintains a daily, handwritten record of bank account activity showing beginning and ending balances, receipts, disbursements and transfers for all bank accounts. From these handwritten sheets, she also produces a monthly summary of bank account activity (beginning and ending balances, receipts, disbursements and transfers) for the accountant. This monthly summary is produced in Lotus. At the end of each month, the accountant makes sure that the monthly bank account balances reconcile with her records for cash receipts.

An assistant in the treasurer/collector's office also maintains a daily, handwritten record of all miscellaneous cash receipts. At the end of each month, she creates a turnover sheet for the accountant by manually calculating the totals for each type of cash receipt and entering these totals on a Lotus spreadsheet. The accountant uses this monthly turnover sheet to post cash receipts to the general ledger.



**Recommendation 1: Create an Automated Cash Book and Record Cash Receipts in Excel**

We recommend the treasurer/collector's office consider the advantages of maintaining the cash book in Excel. Manually recording bank account activity is a time consuming process. It would be easier to maintain these records in an automated spreadsheet (Excel). Excel will electronically calculate totals, rather than having to perform this function using an adding machine and then keying these figures onto a Lotus spreadsheet.

Similarly, a duplication of effort occurs when the assistant manually calculates the totals of all the various types of cash receipts and then records these totals on a Lotus spreadsheet for the accountant. Staff can save time by directly recording cash receipts in an Excel spreadsheet that automatically calculates running totals.

**Finding 2: Convert from Lotus to Excel**

All the computers in the town hall are networked. The MUNIS financial software and MS Office 98, including the Excel spreadsheet application, reside on the town hall computer network. Each night, the accountant or principal assessor back up network systems. Though the treasurer/collector and one other member of her staff have Excel on their computers, she prefers that her staff use Lotus. Lotus, however, is not an application that resides on the network. Consequently, Lotus files are not backed up.

**Recommendation 2: Convert from Lotus to Excel**

We recommend the treasurer/collector's office convert from Lotus to Excel. This will ensure that her spreadsheet files are backed up on a daily basis. According to the treasurer/collector, one of the reasons why she has been reluctant to record cash receipts and bank account activity on a daily basis in automated spreadsheets is the fact that Lotus is not backed up routinely. Converting to Excel should eliminate this concern.

**Assessors' Office**

The assessors' office in Northbridge oversees the valuation of the town's real and personal property for the purposes of taxation. This office is staffed by a full-time principal assessor, one full-time assistant and a property lister who works about 23 hours per week.

In Northbridge, there are approximately 5,000 residential, 209 commercial and industrial, and 309 personal property accounts. The combined FY2000 assessed value of this property was \$608,086,533 with a total tax levy of \$8,817,255. In addition, the office administers about 15,000 motor vehicle accounts annually.

According to Massachusetts State law, the assessors must maintain property values at "full and fair cash value" or market value each year. The state, as part of its oversight role of the local property values, reviews a community's assessed values every three years and certifies that this standard is being met. In other words, the assessments for a given property should be at or near the recent sale price for a comparable property.

The principal assessor is responsible for analyzing sales data, adjusting land and cost schedules and valuing residential property. He generates residential property values using the Vision Appraisal software. He also oversees the assistant assessor and property lister, performs property inspections and reviews abatement requests. The part-time property lister reviews all building permits, numbers new houses, inspects sale properties, and performs inspections for the cyclical reinspection program. The principal assessor estimates that on average, there are approximately 80 –100 building permits for single family homes applied for each year. The town contracts with Vision Appraisal for commercial and industrial property valuations and uses several different vendors for personal property valuations. The town bills property taxes on a quarterly basis. The principal assessor notes that in the six years he has held this position, there have been no delays in mailing tax bills.

The assessors prepare the commitment for sewer betterments. For each property owner who chooses to have the betterment charges apportioned, the assistant assessor manually calculates the principal and interest charges over twenty years on an index card. On the opposite side of the card, she attaches an Excel worksheet used to perform the same calculation. As a time saving measure, she may want to discontinue the manual apportionment and rely on using Excel for this purpose.

The assessor's assistant also enters abatements and exemptions granted into the computer system on a monthly basis and produces monthly reports for the treasurer/collector and the accountant. In FY99, over 177 exemptions were granted for the elderly, veterans, widows and the blind. For real estate, the assessors typically grant about 30 abatements per year; in FY99, approximately 800 motor vehicle excise bills were abated.

The assistant assessor handles several other duties. In addition to answering telephones and attending to persons who need assistance at the counter, she prepares abutters lists for the planning board, conservation commission, zoning board of appeals and alcoholic beverage applications. She also continuously updates the data in the Vision appraisal system.

**Finding 1: Additional Part-time Office Assistance**

The assessing office is fortunate to have an assistant assessor who is thoroughly familiar with the town and has worked in the assessors' office since 1978. She has extensive knowledge of her duties and handles them efficiently. However, when she is out of the office for any reason, the principal assessor must cover for her. For example, when she is not available, he is responsible for answering telephone inquiries and assisting persons at the counter. Although there is a computer terminal at the counter for looking up map and lot designation, and assessed values, etc., most of the people who come to the counter require assistance.

**Recommendation 1: Additional Part-time Office Assistance**

We recommend the town consider providing additional part-time office assistance to the assessors' office. In order for this office to continue to provide the same quality of service beyond the retirement of the assistant assessor, the town should, in the near future, hire an additional person part time in the assessors' office. This will allow time for another person in the office to acquire knowledge of the work involved and gain familiarity with the town. Hiring an MIS person and providing the office with additional staffing will free up more time for the principal assessor to perform appraisal duties such as interim year value adjustments (see recommendation below).

**Finding 2: Interim Year Adjustments to Value**

The assessors are current with their five-year cyclical re-inspection program. This entails inspecting all property over a five-year period to ensure that the data is current and accurate. At the present time, however, the principal assessor says he does not have enough time to devote to annually adjusting assessed values for all classes of property.

**Recommendation 2: Interim Year Adjustments to Value**

We recommend the town analyze and, if warranted, adjust property values annually to reflect changes in the real estate market from the previous year. Once the principal assessor has more time available, he should make interim year value adjustments a priority. We have found that there are a number of benefits to annually updating values. Some of these include:

- *Improved equity*—Values that do not accurately reflect changes in the real estate market can result in an inequitable distribution of property tax obligations.
- *Increased public acceptance of the property tax*—An annual update process allows for changes in the market to be phased in. This avoids the impact that occurs when three years' worth of market appreciation is factored into a single reassessment cycle.

- *Reduced abatement exposure*—Values that do not reflect market downturns may create abatement liabilities for the town. The Appellate Tax Board is not bound to the three-year certification cycle when evaluating the market value of properties in abatement appeal proceedings.
- *Additional new growth added to the levy limit*—In an appreciating market, new construction values that have not been adjusted upward will result in less new growth added to the levy limit.

# Appendix 1

## School Spending Requirements Worksheet

Appropriated FY2000\*

Required FY2001

### 1. Net School Spending

#### *Less Qualifying Town Costs*

Administration	<hr/>	<hr/>
Instruction	<hr/>	<hr/>
Attendance-Health	<hr/>	<hr/>
Food Services	<hr/>	<hr/>
Athletics/Student Activities	<hr/>	<hr/>
Maintenance	<hr/>	<hr/>
Employee Benefits	<hr/>	<hr/>
Insurance	<hr/>	<hr/>
Retired Employee Insurance	<hr/>	<hr/>
Rentals	<hr/>	<hr/>
Short Term Interest	<hr/>	<hr/>
Long Term Debt-Ed. Exp.	<hr/>	<hr/>
Tuition, include choice and charter	<hr/>	<hr/>
Other	<hr/>	<hr/>

### 2. Total Qualifying Town Costs

### 3. Add: General Fund School Revenue, include tuition of state wards and charter school reimbursement

### 4. School Committee Appropriation to meet Net School Spending = 1- 2 +3

Add: Excludable School Committee Costs

Transportation

Community Service

Fixed Assets

Other

### 5. Total Excludable School Committee costs

### 6. Required School Committee Budget = 4 + 5

### 7. Total School Committee Appropriation

\* Appropriation for FY2000 Net School Spending as reported to the DOE on the Schedule 19

## **ACKNOWLEDGEMENTS**

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