

Town of Winchendon

Financial Management Review

July 2015



DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

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DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

Mark E. Nunnelly
Commissioner of Revenue

Sean R. Cronin
Senior Deputy Commissioner

July 1, 2015

Board of Selectmen
109 Front Street, Dept 1.
Winchendon, MA 01475

Dear Board Members,

It is with pleasure that I transmit to you the enclosed "Financial Management Review" for the Town of Winchendon. As we discussed in May, we hope our report is viewed as a roadmap for local officials to take action. I truly believe that if the town follows the recommendations presented here, Winchendon will realize financial management improvements and be better positioned for the future.

As a routine practice, we will post the report on the Division's website, www.mass.gov/dls, and forward copies to the town's state senator and representative. If you have any questions regarding the report, please feel free to contact Zack Blake, Director of the Division's Technical Assistance Bureau, at 617-626-2376 or at blakez@dor.state.ma.us.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean R. Cronin".

Sean R. Cronin
Senior Deputy Commissioner

cc: Senator Anne M. Gobi
Representative Jonathan D. Zlotnik

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Introduction

At the joint request of the board of selectmen, school committee, and finance committee for the Town of Winchendon, the Department of Revenue's Division of Local Services completed a review of its financial management operations. Our review focuses on the underlying financial management practices that contributed substantially to Winchendon's current financial crisis. Based on site visits, interviews, and close collaboration with colleagues in the Bureau of Accounts, our Technical Assistance team developed a framework of the challenges facing Winchendon and identified opportunities for improvement across each of the finance-related offices of the town accountant, treasurer/collector, assessors, and information technology.

Collectively, we found that Winchendon's financial management operations are hindered by a lack of clear leadership, accountability, and communication. This is worsened by significant software issues, poor budget management, and the need to strengthen and modernize core financial practices. The result is a community that struggles to address ongoing financial challenges, while carrying out daily responsibilities. Today, the appointment of a knowledgeable and experienced municipal finance veteran as interim town manager, along with an equally qualified financial consultant, offers hope that Winchendon will pivot quickly in a more positive direction. These appointments, however, are only temporary and the community must begin a process to hire a qualified permanent town manager.

Background

In mid-September 2014, finance officials from Winchendon alerted the Division of Local Services (DLS) that substantial operating deficits existed as a result of prior year overspending and unanticipated health insurance claims. By the first week of October, DLS staff met with town officials to conduct a cash flow analysis to better understand the extent of the problem. It was quickly determined by those in attendance that the town lacked the necessary funds to cover payroll or vendor payments because of a cash overdraft of almost \$1.9m. As a result, the town immediately borrowed \$1.5m from its stabilization fund and upon recommendation from DLS sought approval from the Secretary of Administration and Finance to receive an initial local aid advance totaling \$2.5m. Emergency local aid advances eventually totaled over \$8.3m by year-end.

During this period, DLS also began to examine the extent of the deficits to develop a possible response. Based on this preliminary investigation, it was revealed that Winchendon's cumulative deficits for FY2013 and FY2014 totaled about \$3m with an additional \$700k in projected FY2015

appropriation deficits likely to occur by year-end. As a result of this financial crisis, the Director of Accounts for DLS required local officials to submit a deficit reduction plan by early November before their tax rate or free cash would be certified. That plan resolved to reduce the deficit through various revenue enhancements, expenditure reductions, and management efficiencies. More importantly, however, it laid the foundation for the State Legislature's adoption of [Chapter 448 of the Acts of 2014](#); *An Act Relative to the Financial Condition of the Town of Winchendon*. The legislation provided Winchendon with the needed deficit borrowing authority so it could cover about \$3m in prior year deficits and set the tax rate for FY2015.

Initial indications of Winchendon's financial crisis began to emerge in late FY2013. About a decade earlier, Winchendon elected to move from a premium based employee health insurance coverage to a self-insured structure to reduce costs. Unlike most communities across the state who purchase health insurance from a particular provider on a premium basis, health claim costs in Winchendon were covered by a trust fund that receives annual contributions based on a negotiated 60/40 split between the town and its employees. As a self-insured entity, Winchendon pays Blue Cross Blue Shield to access their network of physicians and to provide administrative support. According to a report issued by the town manager, the program worked as expected for nearly nine years until FY2012 when the town booked a year-end deficit of about \$200k. This deficit would eventually cascade into a cumulative deficit for FY2014 of over \$1.9m due largely to a series of unanticipated catastrophic health claims.

It was at this time in late FY2013 that the former town accountant also fell ill and the current town accountant was brought on. Although well versed in municipal accounting, Winchendon's new town accountant had little to no experience with the town's financial software application or self-insured health trust accounting. Recognizing this knowledge gap, officials developed a transition plan where she would shadow the previous town accountant who had been with the community for more than 16 years. The prior town accountant was a wealth of knowledge and had developed a number of workarounds to circumvent existing issues with the town's Munis financial software application by Tyler Technologies. This plan, however, quickly fell through when she retired sooner than anticipated due to illness. As a result, the town accountant sought support from several individuals, including the town accountants from Ayer and Billerica and an outside consultant.

Together, they worked periodically with the town accountant over the next five months to help her learn Munis, close the books, and decipher the health claims deficits. They also began to unravel the extent of the town's financial problems, including other operating deficits and necessary manual workarounds required to accurately post transactions in the financial software application.

Later, a team from DLS' Bureau of Accounts highlighted additional longtime financial management and internal control shortcomings that would eventually be documented in a management letter to the board of selectmen by the outside auditor. Among the material weaknesses identified in the letter was a lack of timely reconciliations, inadequate monitoring of the general operating budget, various overdrafts, and delays in closing the books.

Many of these management letter findings became more severe due to a lack of budget monitoring by the former town manager and irregular communication between the prior town accountant and department heads. Based on our observations, the former town manager had little involvement with the budget once adopted by town meeting. He did not have access to the town's financial management software application and he seems to have delegated the review of monthly revenue and expenditures to the town accountant. The former town accountant also neglected to distribute spending reports to departments or more widely to the board of selectmen or finance committee. Instead, any spending adjustments appear to have been handled informally between herself and individual departments and generally not until year-end when she had to close the books. This practice, which likely grew out of town's bottom-line approach to budgeting, coupled with a lack of regular reconciliations, made it almost impossible to comprehend the town's financial position throughout the year or to hold departments accountable for their spending.

This approach also contributed to Winchendon's annual deficits. Prior to FY2012, the town funded any year-end deficits during a fall special town meeting that were later reported on the tax recap for tax rate setting purposes. These deficits were common, typically resulting from snow and ice and veteran's benefits, which are both notoriously difficult to predict. However, with only three exceptions (i.e., for court judgments, snow and ice costs and overlay), or in case of an emergency that threatens public health or safety, departments cannot over expend their appropriation [under M.G.L. c. 44, §31](#). Unless corrected, or covered, prior to year-end through the transfer or appropriation of unexpended reserves, all appropriation deficits must be raised on the recap for the ensuing fiscal year and illegal deficits are a negative hit to free cash. Table II. in the Appendix illustrates the impact of Winchendon's appropriation deficits on its free cash calculation over the last five years.

Further amplifying these existing problems, Winchendon experienced a tremendous amount of turnover in its other finance-related offices. Besides the town accountant, these positions included the assistant town accountant, treasurer/collector, assistant treasurer/collector, and chief assessor. To fill these positions, the longtime assistant treasurer/collector was promoted to the treasurer/collector's position in early 2012 and a new assistant treasurer/collector was quickly

hired. However, she left within a year which forced the town to start yet another new search. In the assessor's place, the town elected to privatize the operation when it contracted with an outside firm, Regional Resource Group, Inc., to provide in-house staff and to serve as the appointed board of assessors.

By mid-December 2014, this confluence of issues culminated in substantial operating deficits and other financial management concerns that prompted the town to seek approval and receive a series of local aid advances, along with special legislation to borrow funds necessary to close the deficits. Under [Chapter 448 of the Acts of 2014](#), *An Act Relative to the Financial Condition of the Town of Winchendon*, the town may borrow up to \$6m for a term not to exceed ten years to balance the budget for FY2015 and FY2016. Among other sections within the law, the town must submit a pro forma recap, along with its adopted budget and any supporting documentation to DLS no later than 10 days after the adoption of the budget or July 1st, whichever is sooner. Local officials must also complete an outside audit before the tax rate is set and submit quarterly budget reports. Lastly, the law prohibits any additional borrowing without preapproval from DLS and requires the town to establish a supplemental reserve fund for extraordinary and unforeseen expenditures equal to a fixed percentage of the gross amount to be raised for the prior fiscal year.

To date, Winchendon has borrowed nearly \$3m to cover prior year deficits (see Appendix, Table III. FY2014 Deficits Raised) and received over \$8.3m in local aid advances on top of internal borrowing of over \$1.5m from its stabilization fund for cash flow purposes. By our estimation, the town will also end FY2015 with a cumulative operating deficit nearing \$600k due largely to remaining health insurance claims. Based on a preliminary review, the town's FY2016 budget is also structurally imbalanced. Lastly, local officials expressed serious concerns regarding their cash position at the start of the fiscal year due to significant cash outlays resulting from pension assessment, debt, payroll and other obligations due early in the fiscal year.

As a result, DLS representatives, including its Senior Deputy Commissioner, met with local officials during a joint meeting of the board of selectmen, finance committee, and school committee in May to discuss the town's financial crisis and needed reforms. Among the topics covered, state officials highlighted the immediate need to hire an experienced interim town manager to orchestrate change. In calling for strong leadership, we also laid out a series of milestones to measure progress, including the town's ability to address short-term cash flow needs, close its books, and submit a balanced budget.

To its credit, the board of selectmen responded by hiring a veteran municipal manager to serve as interim town manager. A highly respected individual, he brings a wealth of knowledge and experience as the former city manager for Lowell where he turned around an \$8m deficit, developed sizable reserves, and increased the bond rating. Town officials indicate that he will work part-time over the next three to six months and will be joined by an equally qualified finance consultant with deep experience using the town's Munis financial software application. Together, we hope that this team will be a force for change which will build on more recent improvements including implementing a new purchase order system, issuing monthly year-to-date budget reports, and changing the manner in which town meeting adopts the budget so departments can be held accountable for their individual appropriations.

The new interim town manager's ability to successfully steer Winchendon in the right direction will require buy-in from the board of selectmen, finance committee, and department heads alike. Without their support, the town's outlook remains uncertain. We also hope that any positive momentum is not undermined by a recent movement to strip the town manager's position of needed authority to implement change. As explained at the May meeting, DLS will continue to monitor local activities closely and take whatever action is necessary, up to and including a possible control board, if steps to resolve Winchendon's longstanding financial management shortcomings are delayed or otherwise left unresolved.

Primary Recommendations

1. Develop Financial Management Action Plan

We recommend that the interim town manager, with the backing of the board of selectmen, move swiftly to moderate Winchendon's financial management crisis. Over the next three to six months, town officials must work as a team to manage cash shortfalls, close the books, balance the budget, seek an outside audit, resolve cumulative deficits, and set the tax rate. Longer term, the town should solve lingering financial software issues, avoid future spending deficits, address uncollected taxes, adopt financial policies, develop long-range financial forecast model, implement a multiyear capital improvement plan, and streamline various financial management processes. In doing so, the interim town manager should interview department heads, form a financial team, and develop an action plan. The action plan should identify and prioritize issues, assign tasks, and set timetables. Based on our review, officials need to immediately prioritize the following:

Form Financial Management Team: Led by the interim town manager, the financial team would include the town accountant, treasurer/collector, regional assessor, IT director, and school business manager. Together, the group would meet regularly to deal with Winchendon's financial problems, such as managing cash flow, balancing the budget, and resolving deficits. In doing so, the team would not only serve as an effective tool for reviewing financial matters and documentation (e.g., revenue and expenditure reports, balance sheet, annual audits, tax recapitulation sheet, etc.), but also for improving lines of communication and holding departments accountable.

Address Cash Needs: Beginning in July, the treasurer/collector in Winchendon expects a significant cash shortfall as a result of pension, debt, payroll and other obligations due. Although payroll cannot be delayed, officials should analyze what vendor or other related payments might be deferred until first quarter tax receipts begin to arrive. Any deferred spending, however, should be carefully considered. For example, the town's scheduled upfront pension payment could be paid later but any advanced payment savings would be lost. Given current interest rates of around .5 percent, it likely makes sense to seek a revenue anticipation note to cover the expected cash shortfall. Any borrowing costs, however, would need to be included in a reworked budget for FY2016.

Complete Year-End Closing: Working backwards from a set target date in late August, the town accountant needs to develop a year-end plan to reconcile cash and receivables, research any variances, post closing entries, and prepare the balance sheet for free cash certification. For further guidance, the Division's Bureau of Accounts will issue its year-end letter to town accountants that sets forth requirements related to certifying free cash and enterprise fund

retained earnings, as well as submitting other reports including snow and ice, outstanding receivables, and the Schedule A.

Resolve Year-End Deficits: According to finance officials, they expect to end FY2015 with a cumulative operating deficit of nearly \$600k due to remaining health insurance claims. Although the deficit legislation passed in July provides upwards to \$3m in additional funds to cover any remaining deficits, this is not the most prudent fiscal strategy. We recommend that officials carefully consider the use of reserves or other available funds to minimize future debt service costs associated with borrowing money. It likely makes sense to use a blended approach, drawing down stabilization reserves to a targeted level and then borrowing for any remaining amounts to reduce future debt service payments that will continue for the next ten years or until the notes are paid off.

Seek Outside Audit: Prior to setting next year's tax rate, the special act requires that the town submit an outside audit. The objective of the annual outside audit is not only to obtain independent assurance that Winchendon's year-end financial statements are reliable, complete and accurately reflect deficits, but also that financial checks and balances are in place to protect public assets. To complete the audit in time to set next year's tax rate, local officials need to close the books and solicit services no later than September or October. Any delay would postpone the setting of next year's tax rate, which would delay issuing tax bills, which would cause further cash flow issues. For this reason, it is important that whichever firm the town selects to use for its FY2015 audit, they need to be made well aware of the tight timeframe.

Develop a Balanced Budget: Based on our preliminary review, we found a structural budget gap of well over \$100k not including amounts necessary to cover snow and ice, additional borrowing costs, or the use of about \$74k in E911 grant funding as a revenue source. The foundation which the FY2016 budget was built also lacks integrity given historic overspending and cumulative operating deficits. Therefore, we recommend that the interim town manager act quickly to confirm the validity and rationale behind available resources and expenses used to construct the FY2016 budget. Working line item by line item, any necessary adjustments must be ready in time for town meeting approval in the fall to set the tax rate timely. Then, once enacted, the interim town manager should closely track receipts and departmental spending with any variances thoroughly researched and explained. Winchendon's deficit borrowing authority also requires the town to submit a pro forma recap not later than 10 days after the adoption of the town budget, or July 1, whichever is earlier for the remaining life of the outstanding debt.

Following our primary recommendations, we include a timetable identifying each of these tasks, along with an expected deadline and those responsible for taking action.

2. Resolve Munis Software Issues

We recommend that the interim town manager, his financial consultant, the town accountant, and IT director work with Tyler Technologies to resolve the town's Munis financial management software issues. Tyler's Munis application offers a suite of integrated modules designed to administer and coordinate billing, revenue collection, accounting, budgeting, procurement, and human resource management. However, implementation-related issues, limited training, and the need for software updates are undermining the program's effectiveness and any data processing efficiencies it could otherwise provide.

Although it is difficult to pinpoint the precise problem, local officials indicate that it stems from an outdated version and the manner in which the system was originally setup. As a result, the town accountant is forced to maintain a number of manual workarounds for what should otherwise be an automated process. For example, various account relationships, including deferred revenue, revenue cash, and year-end carryovers are not posting accurately. In addition, the vast majority of departments do not have access to Munis for budget monitoring purposes, and the treasurer/collector is on a completely different financial system that is not integrated with Munis and requires a tremendous amount of manual reentry to post receipts. To date, Tyler Technologies is offering to provide four free days of direct consulting services and a 50 percent discount on any future training needs. The financial consultant assisting the interim town manager is also a Munis expert who should be able to provide additional training and instruction.

Once Munis is properly setup and all necessary updates are installed, we recommend that local officials maximize the program's potential. The software application is underutilized by staff who have limited training and access to the program. The interim town manager should first expand the number of user licenses to those department heads he deems appropriate. Next, the interim town manager should appoint the IT director and his financial consultant to review how core business functions can be processed directly through Munis rather than by hand. In doing so, they should map out the process and those responsible for carrying out various tasks. They should then meet with employees to discuss any training gaps. From this will emerge a roadmap for transitioning to Munis. As long as officials work with Tyler Technologies and invest the necessary time and resources into developing each Munis module, we are confident that the software application will streamline various business processes such as accounts receivable, procurement and human resources/personnel management.

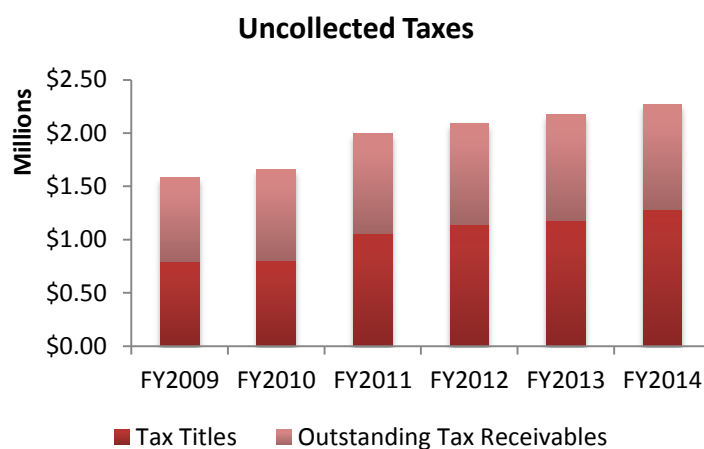
3. Monitor Financial Activity to Avoid Future Spending Deficits

Overspending and other illegal deficits over the last few years in Winchendon will total well over \$3.5m by the close of FY2015. As a result, the special act requires the town to submit an outside audit and to provide a balance sheet for free cash certification prior to approving next year's tax rate. Any illegal deficits remaining after the close of the fiscal year will reduce free cash and must be subsequently raised in the FY2016 tax levy. Local officials are urged to balance the budget and to use a blended approach to resolve any outstanding prior year deficits.

Going forward, departments need to proactively monitor their budgets by periodically reviewing year-to-date revenue and expenses in comparison to their annual appropriation. At the same time, finance officials need to do their part to encumber funds quickly through the purchase order system and reconcile funds on a monthly basis. Large variances between budgeted and projected year-end revenues and expenses should be discussed, or whenever an account balance appears unusually low or is about to be exhausted. If appropriate, department heads should meet with the interim town manager and town accountant to determine if additional funds might be transferred from the finance committee's reserve that exists to fund extraordinary and unforeseen expenses.

4. Address Uncollected Taxes

The treasurer/collector should take the necessary steps to pursue uncollected taxes as part of Winchendon's overall fiscal recovery strategy. Last year, the town reported \$984,605, or just over 10 percent of its tax levy, in outstanding taxes, which also has steadily increased over the last five years. As a general financial indicator, an uncollected tax balance greater than five percent of the tax levy (net overlay) or a balance increasing over time is considered unfavorable. When tax titles are included, this total amount in uncollected taxes rises to over \$2.26m, or almost 23 percent of the total levy.



To address this issue, the treasurer/collector needs to develop a systematic and deliberate approach to collecting outstanding taxes in order to capture much needed revenue and to signal that tax delinquents will be pursued. Currently, the treasurer/collector issues demand notices and records the addition of subsequent taxes into previously-established tax title accounts before the end of the fiscal year. However, about three years has passed since she issued notices of tax takings to move new outstanding receivables into tax title. This is a critical step to secure the town's lien on delinquent properties, and one the treasurer/collector should complete by the fall each fiscal year. Any delay in doing so places the town at risk of losing its right to collect outstanding taxes if the property changes hands. Placing properties in tax title also leads to the initiation of foreclosure proceedings, which could positively impact the town's free cash.

We also recommend that the treasurer/collector seek legal support and funds necessary to reduce the total number of properties in tax title. As of June 30th, 2014 Winchendon had about 170 tax title properties that collectively owe over \$1m including interest. To her credit, the treasurer/collector continues to conduct considerable research to organize and prioritize these accounts according to those under single ownership, land of low value, and owner unknown. However, missing is a defined plan and the necessary infusion of funds to pursue tax delinquents. A well-thought-out and adequately-funded plan can help maximize collections and convince current and potential delinquent taxpayers of the town's seriousness in the collection of taxes.

To help support this effort, the town should adopt the local option statute [M.G.L. Ch. 60 § 15B](#), to establish a tax title revolving fund. The fund allows certain fees, charges and costs incurred by the treasurer/collector upon redemption of tax titles and sales of real estate acquired through foreclosure to be credited and spent without further appropriation by the treasurer/collector to cover various out of pocket expenses associated with making a tax taking or to initiate foreclosure proceedings. The purpose is to assist the treasurer/collector who has not received adequate financial support to secure the town's liens for delinquent real estate tax receivables and foreclose tax titles.

5. Regularly Reconcile Cash and Receivables

The town accountant should prioritize the reconciliations of cash and receivables each month. Timely reconciliations have been a longstanding issue in Winchendon. The prior town accountant only reconciled to the general ledger once annually, at year-end, while current reconciliations are many months behind. In the most recent management letter received from the outside auditor, the firm cited the lack of ongoing reconciliations as a material weakness.

Delays between reconciliations not only make it more difficult to identify and correct any variances, but it also leaves decision makers in the dark about the condition of the town's finances for budget monitoring purposes. We therefore recommend that the interim town manager establish a formal, written procedure requiring that reconciliations between the accountant and treasurer/collector occur monthly. It would establish a date by which the treasurer/collector must submit her internally-reconciled records of cash and receivables to the accountant and also assign mutual responsibility to them for resolving any variances. Each month, the accountant should detail the reconciliation on a worksheet for submission to the interim town manager for review and sign off.

6. Appoint Payroll Backup Person

We recommend that the interim town manager assign a backup person to process payroll in the absence of the assistant town accountant. Last year, the town moved from processing payroll entirely in-house to using the outside firm, Harpers Payroll Services. Despite this change, the payroll process still requires a significant amount of data entry and review by the town before it can be submitted to Harpers, who issues checks and handles certain deductions and tax filing requirements. Based on our interviews, the assistant town accountant is solely responsible for managing town-side payroll, which involves proofing and data entering employee time and attendance, along with any payroll changes to withholdings, direct deposit, etc. She also does a bottom-line proof of the school's payroll, although they enter it into Harpers themselves.

The lack of a backup person to process payroll presents a serious risk to the town. Under [M.G.L. c. 149, §148](#), employers are required to pay employees within a specific time period. Any delay beyond the statutory period could result in criminal violations. In addition to the state law, the Federal Fair Labor Standards Act may also apply if payment is delayed. From our vantage point, the town accountant, as department head, should understand the required steps to process payroll. Her routine involvement, however, presents internal control issues that can otherwise be avoided by cross-training the assistant treasurer/collector, for example. We also understand that a part-time accounting clerk might be hired next year. If this is the case, the clerk would be an ideal backup to the assistant town accountant.

7. Consider Moving to GIC

Winchendon currently offers several health insurance options for both active and retired employees. The town covers 60 percent of premiums, except for retirees who pay 50 percent. In

FY2016, health insurance benefits are budgeted to cost \$2.36m. Due to the town's overall financial constraints, it makes sense for local officials to consider all options to reduce costs, including healthcare alternatives. As part of this evaluation, we strongly recommend that local officials consider moving to the [Group Insurance Commission](#) (GIC) or use the process under municipal health insurance reform, [M.G.L. c.32B, §21-23](#), to yield similar savings. Based on a comparative analysis of Winchendon's FY2016 health insurance cost to GIC, the town may save as much as \$300k annually. Our conservative analysis assumes that active and retired employees will move from their current HMO, PPO, or indemnity coverage into the most expensive comparative GIC plan. In our experience, employees and retirees often self-select a less expensive plan during the enrollment period, which would generate additional savings for both the town and employees.

Projected Savings with Group Insurance Commission Plans*

		Projected FY16 staffing	FY16 Town Current Cost	FY16 Town Cost with GIC	Projected Savings to Town	Projected Premium Savings to Employees
HMO Blue						
	Family	112	\$1,467,463	\$1,179,602	\$287,861	\$191,907
	Individual	59	288,367	254,672	33,695	22,463
Blue Care Elect						
	Family	3	44,026	39,495	4,531	3,021
	Individual	5	29,566	26,978	2,588	1,726
Medex						
	Individual	104	191,662	252,084	-60,422	-60,422
HMO Blue Retiree						
	Family	15	163,779	131,652	32,127	32,127
	Individual	29	118,116	104,315	12,511	12,511
Blue Care Elect Retiree						
	Family	1	12,230	10,971	1,259	1,259
	Individual	3	14,783	13,489	1,294	1,294
Subtotal			\$2,329,992	\$2,013,257	\$315,444	\$205,885
Total Projected Savings						\$521,329
Percent Savings						22.4%










***Assumptions:**

HMO Blue subscribers enroll in Harvard Pilgrim Primary Choice Plan

Blue Care subscribers enroll in Harvard Pilgrim Independence Plan

Medex subscribers enroll in Unicare Indemnity Plan with Catastrophic Illness Coverage (CIC)

Action Plan Timetable

	Task	Start	Finish	Responsibility	Q1 FY2016													Q2 FY2016														
					7/5	7/12	7/19	7/26	8/2	8/9	8/16	8/23	8/30	9/6	9/13	9/20	9/27	10/4	10/11	10/18	10/25	11/1	11/8	11/15	11/22	11/29	12/6	12/13	12/20			
1	Form Financial Team	07/01/2015	07/31/2015	TM																												
2	Address Cash Needs	07/01/2015	07/15/2015	TM, T/C																												
3	Complete Year-End Closing	08/03/2015	09/01/2015	TM, Acct, T/C																												
4	Complete Outside Audit	09/01/2015	10/30/2015	TM, FC																												
5	Fund Year-End Deficits	09/01/2015	10/30/2015	TM, BOS, Acct																												
6	Evaluate FY16 Budget	07/01/2015	10/30/2015	TM, BOS, FC																												
7	Call Special Town Meeting	11/02/2015	11/30/2015	BOS																												
8	Submit Balance Sheet for Free Cash Certification	11/02/2015	12/01/2015	Financial Team																												
9	Submit Tax Recap to Set Tax Rate	12/01/2015	12/15/2015	Financial Team																												

Finance Management Overview

Understanding the policies and procedures governing everyday activities within the financial management offices of the town accountant, treasurer/collector, assessors, and information technology is critical to our review for Winchendon. The responsibilities carried out by these departments are essential to the town's overall financial well-being, and their success largely depends on the ability of local officials to collaborate and communicate with one another. In reviewing the town's overall financial management practices, we provide a brief overview of Winchendon, along with a series of other general recommendations to guide policymakers.

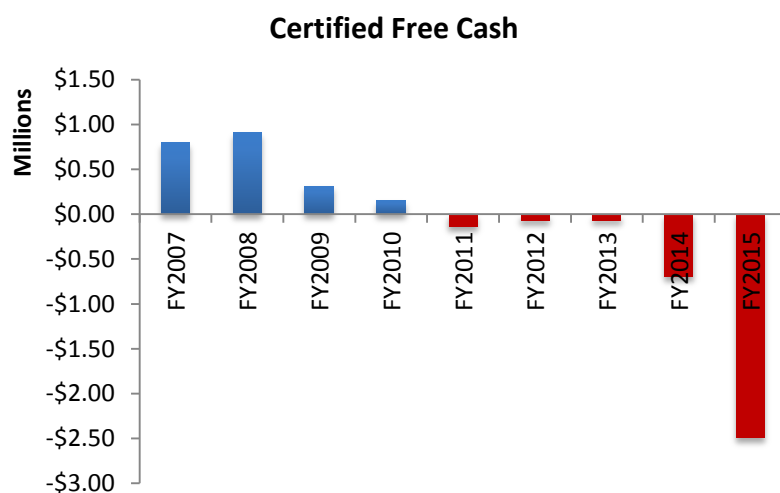
Winchendon is a small community of about 10,300 people located in northcentral Massachusetts along the New Hampshire border. It is a former manufacturing center for wood products, textiles, and toys from which it derives its "Toy Town" namesake. These early boom years quickly faded by the 1950's as industrialization shifted elsewhere. Today, economic pressures continue to weigh on the community as a whole: Winchendon's unemployment rate of 6.7 percent ranks within the top 10 percent of communities across Massachusetts, incomes are stagnant and among the lowest in the state, and over 15 percent of residents live below the poverty line, which is 47 percent greater than the Massachusetts average. The town's relative isolation and lack of access to major transportation hubs also limits its reach to greater economic opportunities across the state.

It is within this context that Winchendon operates under a board of selectmen—open town meeting form of government. The five member board of selectmen appoints the town manager to serve as the chief administrative officer over town operations. According to town charter, the town manager is responsible for preparing Winchendon's annual budget and capital outlay program, managing procurement, administering personnel, negotiating and awarding contracts, and generally overseeing the town's financial and administrative activities. The town manager also appoints most major department heads, including the treasurer/collector, assessors, police chief, fire chief, public works director, and town clerk. Winchendon's town accountant is appointed by and historically reports to the board of selectmen, but due to language adopted as part of the deficit legislation, she now reports to the town manager. The town also has its own pre-k through 12th grade school system led by a five member school committee. The school committee appoints the superintendent, while an outside firm, The Management Solution (TMS), manages the school business office.

Over the last two years, Winchendon has been adversely impacted by a tremendous amount of turnover, especially within its finance related offices. Today, however, there are other core management positions that remain vacant or were just recently filled. These include the directors for DPW, planning and community development, and library. The school superintendent also recently announced his departure, after accepting a position in the City of Lowell, and the schools are without a special education director and a director of instruction and grants. Finally, the town manager, who served Winchendon for 15 years, is gone after a contentious buyout of his contract this past May. There was also a complete turnover in the board of selectmen after the most recent town election due largely to a coalition of residents frustrated by the former town manager and the town's growing financial crisis.

In many ways, turnover in town hall has only exacerbated Winchendon's decade long financial struggles and limited budget. Of the town's \$30m operating budget, over a third is funded through state aid (42 percent), while the tax levy (33 percent), local receipts (14 percent), and all other sources (11 percent) make up the remainder. Over the last 10 years, there has been a growing reliance on local property taxes to finance operations as state aid, local receipts, and all other revenues sources have declined or remained stagnant. This tax burden falls most prominently on the residential class, which constitutes about 90 percent of the total tax base due to the limited amount of commercial and industrial development in town. A summary of Winchendon's budget over the last four years and a projection for FY2016 is available in the Appendix, Table I.

This dynamic is made all the more difficult given Winchendon's lack of financial flexibility. Free cash, which is a revenue that results from a community's remaining, unrestricted prior year funds, provides, along with the stabilization fund, a certain amount of flexibility to weather economic downturns or other financial



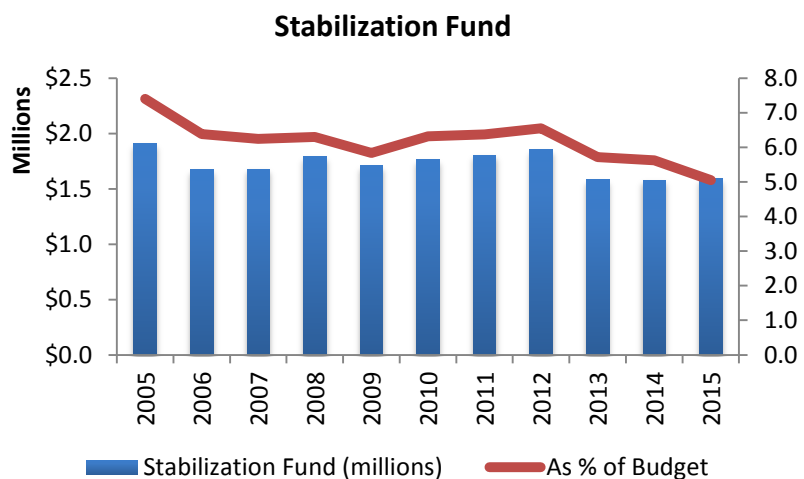
challenges. Free cash typically includes actual receipts in excess of revenue estimates and unspent amounts in departmental budget line items for the year just ending, plus unexpended free cash

from the previous year. It is offset by property tax receivables and certain deficits, and as a result, can be a negative number.

Winchendon's negative free cash balance over the last five years reflects a certain level of inattentiveness or unwillingness to address stubborn underlying financial issues, including an inability to deal effectively with a growing real estate receivable balance and other overdrawn and illegal deficits. Under sound financial policies, Winchendon should generate free cash in an amount equal to three to five percent of its annual budget through conservative revenue projections and departmental appropriations to produce excess revenue and departmental turn backs.

Further eroding Winchendon's financial flexibility is its growing percentage of uncollected taxes. Because the financial success of a community is based on bringing in the revenues necessary to support the operating budget each year, it is essential that the town enforce a timely collections process. Although the current economic conditions requires a certain level of sensitivity when pursuing delinquents, a poor collections record impacts year-end operating results and contributes to Winchendon's negative free cash balance.

Despite these particular challenges, the town has successfully built a sizeable stabilization fund. Under [M.G.L. c. 40, §5B](#), the stabilization fund is a special reserve into which monies may be appropriated and reserved from year to year for later appropriation. Like free cash, it serves as a critical revenue source during periods of economic downturn or financial crisis. It can also provide for short-term cash needs in the event that funds must be borrowed internally to cover expenses. Any withdrawals, however, must be repaid by year-end.



Within this context, the financial management offices of the town accountant, treasurer/collector, assessors, and information technology operate. Winchendon's town accountant is appointed by the board of selectmen and reports day to day to the town manager due to language adopted as part of

the deficit legislation ([Chapter 448 of the Acts of 2014](#)). Prior to her arrival in mid-2013, she worked for the Town of Westminster for about six years. She receives support from a full-time assistant town accountant who has been in the position for about a year and half. The two of them previously worked together in Westminster for about four and half years and have an excellent working relationship.

Overall, the town accountant is responsible for supervising the town's financial management activity and safeguarding local assets through a system of statutory checks and balances. Through the maintenance of independent records and adherence to well-defined procedures, the accounting office documents the flow of money in and out of municipal accounts. Essential duties include verifying expense and payroll warrants, maintaining the general ledger, and reconciling cash and receivables with the treasurer/collector. The office uses the Munis financial management software application to house the general ledger and to manage the accounts payable and receivable process. Payroll is outsourced to Harpers Payroll Services. Earlier this year, the town accountant implemented a purchase order (PO) system to better track and control spending. Although it is currently a paper driven process, there are plans to move the PO system to Munis. Outside of these responsibilities, the town accountant plays a central role in putting together the Tax Recap, Balance Sheet and Schedule A.

The treasurer and collector positions in Winchendon are functionally combined by appointment of the town manager. The current treasurer/collector, who is certified as both a Massachusetts Municipal Treasurer and Collector, was promoted to the job in September 2012. Prior to her current role, she served as the town's assistant treasurer/collector for 17 years. Upon her promotion she hired a full-time assistant treasurer/collector that was employed for about a year. The position was then vacant for several months until the current assistant accepted the job in March 2014. In addition to these two full-time positions, the department includes a full-time office clerk who has been with the department for about eight years.

The treasurer/collector's office issued 4,687 real estate and 50 personal property bills this year. The annual property tax commitment is generated by the assessing department and bridged electronically into treasurer/collector's Point Software application to generate bills. The office prints, stuffs, and mails all real and personal property bills in two installments with a coupon for each quarterly payment. On an annual basis, the office also sends out 11,371 motor vehicle excise bills but does not collect boat excise. Finally, the office collects 1,978 water/sewer bills semiannually that are generated and mailed by the department of public works and processed by the treasurer/collector through the Munis Utility Billing module.

The office clerk is the primary contact at the counter window to process payments. At the counter, each staff member has an individually locked cash drawer but payment lookups must take place at their desks because of the lack of a dedicated counter workstation. In addition to collections made over the counter, the office receives payments by mail, through various escrow service companies, and from the Unipay application on the town website. At the end of the workday, staff members proof their cash drawers and submit all work to the treasurer/collector who manually posts payments to the corresponding software application (Point or Munis). All cash bank deposits are made the next day, while checks are scanned for deposit. Credit reports are run as appropriate and research completed to confirm when refunds are due. The treasurer/collector also responds to requests for municipal lien certificates in accordance with state law.

For any delinquent property owners, the treasurer/collector issues a demand notice requesting payment. If payment is still not received within 14 days, the treasurer/collector must perfect the tax lien by placing the subject property into tax title. For properties already in tax title, the new outstanding amount should be added to the account before the close of the fiscal year. Although the treasurer/collector adds all subsequent year taxes to existing tax title accounts, she has yet to advertise any new tax takings since taking office three years ago. There is also additional work needed so foreclosure proceedings can be initiated, but this has been hampered by a lack of funds.

On the treasurer's side, the office also receives weekly departmental turnovers that it signs and stamps in triplicate (one for the department, town accountant and treasurer/collector). Turnovers are then posted to Point and deposited along with the collector's receipts. The treasurer/collector then records her daily deposits and any disbursements done through the biweekly payroll and weekly vendor warrants in her Excel-based cash book. Despite her regular, monthly cash reconciliation to bank statements, her last reconciliation with the town accountant took place in September. The treasurer/collector has also found it difficult to produce a true projection of the town's cash flow needs to cover town obligations through year-end.

The town's assessing operation was completely privatized in July 2013 when local officials contracted with the [Regional Resources Group, Inc.](#) (RRG) to provide in-house staff and to serve as Winchendon's appointed board of assessors. One of RRG's assigned regional assessors supervises the department, while day-to-day office support is handled by a part-time, four day per week administrative assistant who is employed by the firm. Data collectors and other assessing professionals from RRG also work on occasion to fulfill various tasks. RRG is entering the last year of its three-year contract that expires June 30th, 2016.

The firm is tasked with valuing all real and personal property in town and generating the commitments that authorize the treasurer/collector to collect payments for real estate tax, motor vehicle excise, and betterments. RRG also completes interim and full revaluation work necessary for state certification. Additional responsibilities include calculating annual new growth increases, setting the annual overlay amount, handling all abatement and property tax exemptions, and helping to prepare the tax recap.

The department's total volume of work involves about 5,000 parcels, including 4,221 residential, 233 commercial and industrial, 61 mixed use, 143 chapter land, and 50 personal property accounts (\$10,000 exemption level). There are also 137 state or federally owned parcels that account for more than 4,700 acres. In addition, there are 11,371 motor vehicles excise accounts. For FY2015, the town approved 28 real estate abatement applications with a \$10,000 average abatement amount, and there are two cases pending before the Appellate Tax Board with a total liability under \$5,000.

RRG maintains the town's real and personal property assessment records in Patriot Properties' Computer Assisted Mass Appraisal (CAMA) application. Using the application, the department analyzes records to ensure tax equity through uniform valuations and to generate the tax commitments. Property records are accessible via the town's website using an online query tool by CAI Technologies, which hosts the town's Geographic Information System (GIS) and provides annual map updates.

Winchendon's IT department is managed by a part-time director, who is appointed by and reports to the town manager and has held the job for about a year. Prior to his arrival, the executive assistant to the town manager served as the de facto IT support person with more advanced technical support contracted through an outside vendor. The IT director works about 15-19 hours per week, and his primary responsibilities include network administration and user support. The IT director appears to be quickly gaining the confidence of staff and is a trusted resource across town hall. The school department's IT network and administration is separate from the town's.

Under the IT director, Winchendon's computer networking, hardware, software, and other technology-related needs are managed effectively and in a more deliberative manner than before he arrived. Today, he is working hard to modernize town systems by upgrading a town server, standardizing all email accounts, addressing security concerns, investigating cloud-based backup options, and instituting asset lifecycle management practices.

Other Recommendations

8. Adopt Formal Financial Policies

To promote future fiscal stability and reinforce internal controls, we recommend that Winchendon formulate a set of formal financial policies. Besides providing best practice guidance to officials on responsible and effective management, a comprehensive set of financial policies can have the added effect of boosting resident confidence in town business practices. To our knowledge, the finance committee has drafted a series of policies that have yet to be adopted by the board of selectmen. We recommend that the interim town manager review the finance committee's draft, make any adjustments, and submit the revised proposal to the board for approval. In general, we advise communities to establish formal policies covering the following areas:

Budget: Identify participant roles and responsibilities and outline the budget process and time frame. Beginning in early fall, the town manager should initiate the budget process by providing formal revenue projections to a joint meeting of the selectmen, finance committee, and school committee. After reaching consensus, the town manager would send budget guidelines and solicitations for budget requests to all town departments. Next, the town manager would meet with department heads to discuss their needs before a proposal is passed to the selectmen. By early April, the finance committee should review its final budget recommendation with the town manager before being presented at annual town meeting.

Long-Range Financial Planning: Include multiyear revenue and expenditure forecasting, and capital improvement planning.

Accounting and Reporting: Explain how the town will comply with Massachusetts General Laws and the Generally Accepted Accounting Principles (GAAP) associated with the Government Accounting Standards Board (GASB), including financial structure, monthly reporting, asset inventory, independent outside audits, cash management, etc.

Investments: Outline the controls established to ensure compliance with state laws, preserve liquidity, and maximize rates of return while minimizing risk.

Revenue Policies: Identify revenue sources, and promote diversification, conservative estimates and sustainable increases, if any.

Fees and Charges: Stipulate the legal basis for establishing fees and charges, the methods by which they are set, the extent to which costs are recovered, and the requirement for periodic reviews through costing studies.

Use of One-Time Revenues: Promote consistent, prudent practices for the management of various one-time revenues, including free cash. The policy should preclude using these types of revenues to fund recurring expenditures.

Debt Capacity, Issuance, and Management: Specify the appropriate uses for debt, the term and structure for long-term bond issuances, the financial advisor's role, and the allowable ratio of debt service to total budget.

Reserves and Stabilization Funds: Endorse the practice of appropriating money annually to legal reserves for future needs and identify potential extenuating circumstances for which reserves may be used.

For further guidance, we encourage the local officials to review sample policies from other communities to help determine what would work best for Winchendon. Additionally, the Government Finance Officers Association's website has many useful links on policy planning, www.gfoa.org.

9. Develop Long-Term Capital Plan

Winchendon's town charter only briefly mentions capital planning. Further guidance is left to bylaw, which was only recently adopted in May 2013. The bylaw provides for a Capital Planning Committee (CPC) composed of a member of the board of selectmen, school committee, finance committee, and the planning board, with a fifth member appointed by the moderator. The bylaw prescribes member duties and responsibilities, as well as the definition and review process for capital projects. While the group meets annually during the budget season, there has been very little activity recently because of the town's financial crisis. As a result, maintenance is deferred and critical needs are neglected. To reverse this trend, we recommend the following:

Detailed Capital Asset Inventory: The CPC should assemble an inventory of all buildings, equipment, roads, and utilities in town. Data for each asset should include the dates built, acquired or last improved, original cost, current condition, depreciated value, extent of use, and any scheduled maintenance, replacement or expansion dates.

Annual Capital Assessment: This would include the format and data requirements for departmental requests, review of the requests, the status of existing projects, sequence of approvals, final recommendation, and a timetable for the completion of each step.

Objective Ranking System: All the capital proposals should be comparatively assessed using objective guidelines to ensure that town-wide needs can be prioritized. The CPC should weight

urgency based on factors such as public safety, legal requirements, availability of matching funds, and the future cost impact of deferred maintenance.

Long-Term Forecast: Through discussions with department heads, the CPC should acquire the information necessary to develop a five-, ten- or even twenty-year projection of capital needs. Vehicle replacements, road improvements, and facility repairs all lend themselves to a long-term schedule. With estimated costs included, a clear picture will emerge.

Committee Recommendations: An annually updated, formal report of capital needs with the CPC's prioritized recommendations, including items deferred due to resource constraints, should be presented to the town manager and included in his presentation to town meeting to keep residents informed.

Ability to Pay: Capital needs are ongoing and should be considered as an annual budget expenditure. Local officials need to analyze available funding options and associated borrowing costs. Possible options include, covering costs directly from the existing operating budget, dedicating a specific revenue source, or seeking a debt exclusion under Prop 2½. As cost savings and other efficiencies are realized, local officials should consider carving out an incrementally larger portion of the operating budget for capital-specific purposes. Additionally, we encourage the town to file legislation approved by town meeting that establishes a capital stabilization fund financed by solar PILOT money. They should also try to incorporate the generous support of the Robertson and Broadhurst Foundation into a financing strategy.

With a comprehensive capital program shaped by clear, consistent standards and spending priorities, the town can more effectively identify needs and begin to plan a funding strategy. For more information on the capital planning process, refer to the workbook, "[Developing a Capital Improvement Program](#)," on the DLS website, www.mass.gov/DLS.

10. Develop Equitable Enterprise Fund Indirect Cost Methodology

DLS recommends that communities with enterprise funds establish a written, internal policy regarding the allocation of indirect costs. Reviewed periodically, the policy should be reasonable and calculated in a fair and consistent basis. Local officials should understand and agree on what indirect costs are appropriated as part of the general fund operating budget and what percentage of these costs should be allocated to the enterprise fund. Most communities base their indirect costs on a predetermined percentage or portion of a given department's salaries, benefits, and other office-related expenses. Indirect costs can be calculated in any number of ways, including the following:

Actual Cost: Often, specific schedules provide documentation of indirect costs attributable to a service or program. Generally, these include debt service, and life, health and property insurances.

Transaction-Based: This is calculated based on the number transactions attributed to a service as a percentage of the whole. An example would be the number of bills issued by the treasurer/collector for sewer service as a percentage of the total bills issued. This percentage would be applied against the treasurer/collector's total budget as well as the health and life insurance, Medicare, retirement and worker's compensation attributable to her department.

Estimate of Support: A department may be able to provide a reasonable estimate of the time spent, on average, to support a particular service. For example, the town administrator could estimate the amount of time he spends on sewer-related activities (e.g., board meetings, sewer commitment/billing, administration of USDA grants and clerical tasks). Any office expenses related to the enterprise fund would be charged directly to the enterprise budget.

Proportional: This is a simple calculation of the sewer department's budget as a percent of the total budget. The percentage would be applied against a town department's budget, including employees' benefits, that provides support to the sewer department.

Once indirect costs are calculated, local officials should determine the amount or level to be charged to the enterprise fund. Winchendon historically charges actual health and pension costs, while shared employees are covered by a flat percentage rate across its water, sewer, and transfer station. On the surface, this flat proportional percentage based allocation for shared employees does not reasonably reflect the cost of outside staff. For example, the wastewater enterprise fund allocates 10 percent of the town accountant, treasurer/collector, and information technology departmental budget to the enterprise. Because the treasurer/collector is responsible for processing all payments there is a reasonable expectation that the department would be covered at a higher rate, especially when you consider that water/sewer bills account for over 16 percent of the total number of bills issued annually by the department.

Alternatively, we recommend the interim town manager instruct the accountant to query all town staff connected to the enterprise funds to estimate the administrative hours they actually spend working on them. With these hours and associated percentages of salaries determined, the town accountant should also factor all other related costs, like town hall office space and software licenses, into the formula to calculate the true sum of the cost to be recovered from users. The resulting formula should be reasonable to produce a fair and consistent annual payment to the town. Once approved by the board of selectmen, the formula should be incorporated into a formal, written indirect cost agreement that would be periodically reviewed. Whatever methodology

officials decide to use, the goal is to reasonably allocate indirect costs to the enterprise fund in a manner that is equitable, reflects true shared costs, and can be easily replicated from year to year.

11. Consider Town-School Revenue Sharing Model

The Department of Elementary and Secondary Education (DESE) annually determines a minimum required budget for each school district, which is known as its net school spending (NSS) requirement. Over the years, Winchendon historically appropriates the minimum for NSS, although a recent override increased the school's appropriation to \$300k above the NSS minimum. In determining compliance with NSS, DESE considers not only the money directly appropriated by the local legislative body to the school department for salaries and expenses. It also factors in other municipal charges associated with the district, such as employee health insurance, retirement plans for certain categories of school personnel, and the indirect administrative costs associated with activities performed by municipal personnel in support of school functions.

As required by DESE, the town and school department in Winchendon have a longstanding written agreement documenting which items will be charged and the methodology for determining the cost. The practice to estimate, assess and reconcile these expenses incurred by the town for the school's benefit, however, appears to place unnecessary financial pressure on the schools, especially as Winchendon's health care costs escalated and became less predictable. This often forced the school department to make midyear adjustments to cover any increases. With the town's move to a premium based health insurance plan, we expect health insurance costs to be less volatile and far easier to predict from year to year.

As health insurance costs moderate and other efficiencies are realized, it would be a great opportunity for the town and school to avoid future struggles over resources by agreeing to a revenue sharing model where a certain percentage of revenue would be allocated between town and school operations. Since general revenues cannot be earmarked, this becomes an informal agreement, which can be documented in a memorandum of understanding or policy. We know of a number of communities that have developed such an arrangement, which has greatly reduced the tension that often arises over the pull for more revenue. Additional investment in the schools can also strengthen their educational programs, which can curb school choice trends or serve as a broader economic driver for the town. In the Appendix, Table IV is a chart that trends Winchendon's Chapter 70 Aid, Foundation Budget, and required and actual Net School Spending over the past 22 years.

12. Define Audit Committee Responsibilities in Bylaw

To its credit, the town recently established an audit committee as recommended by DLS. To help guide the new committee, we suggest that it focus on four primary areas of responsibility that should be detailed in a new bylaw:

- Work with interim town manager who would define the services the town seeks and oversee the selection of an auditor. Since audit services are not subject to procurement provisions under [M.G.L. c. 30B](#), this can be done by inviting auditors to interview or by issuing a request for proposals for audit services.
- Attend the audit exit conference and review the audit report, findings and management letter comments. The committee should also form an opinion on the performance and independence of the external auditor.
- Monitor the progress of corrective action plans developed by the town manager and finance officials to address audit findings and management letter comments. This can be accomplished by meeting with the town manager at scheduled intervals. The committee should also provide periodic reports to the board of selectmen and finance committee.

13. Establish Formal Personnel Policies

The growing complexities of personnel management make it incumbent on municipalities to stay current, consistent, and thorough in forming and applying related policies and procedures.

Winchendon's personnel bylaw simply states that the "town manager is responsible for all town personnel and administration consistent with M.G.L., Charter and Town Bylaws." We recommend that the town manager develop written employment and conduct-related policies that would be included in the personnel bylaw.

At minimum, these should include documents on leave time, employment contracts, affirmative action, sexual harassment, the Whistleblower Act, conflict of interest, ethics, personal security, and acceptable email, Internet and social media usage. A copy of the personnel bylaw should be given to all current employees and to new staff at time of hire. An acknowledgment form should be created for employees to verify their receipt by signature along with an Excel spreadsheet to track universal acknowledgment compliance.

For additional support, we encourage the interim town manager to apply for assistance through the state's new Community Compact initiative. The program, which is designed to elevate the

partnership between municipalities and the state, offers support in the form of technical assistance, grants, and other resources to implement best practices. For additional information or to submit an application, please visit: www.mass.gov/CCC.

14. Develop a Cash Flow Analysis

Understanding the availability of cash to cover obligations is a core job component of the treasurer and necessary to managing the town's finances. Winchendon continues to struggle to meet its cash flow requirements due to various operating deficits and other budgetary control issues. These problems, which are largely outside the treasurer/collector's control, required the town to seek over \$8.3m in local aid advances and to borrow nearly \$3m through deficit legislation to cover expenses. Because these issues will likely persist into FY2016, it is imperative that the treasurer/collector establish and maintain a monthly cash flow analysis by tracking income and expense trends.

FY2015 Local Aid Advances

Month	Amount
October	\$2,500,000
November	230,000
December	450,000
January	1,100,000
February	1,800,000
March	2,300,000
Total:	\$8,380,000

The cash flow analysis should be designed as a simple Excel spreadsheet. Historic warrants and monthly revenue reports provide the source data to project spending and collection patterns. By lining these up with current-year appropriations and also overlaying debt service obligation amounts, a reasonable forecast of the town's cash flow emerges. The collector/treasurer should replace estimates with actual costs and revenues monthly and also make forecast adjustments when unexpected circumstances arise. The cash flow analysis thus helps the collector/treasurer to anticipate low cash periods and to manage short-term investment and borrowing. A sample cash flow spreadsheet can be found on the DLS website under Technical Assistance Services > [Financial Calculators and Forms](#).

15. Revise Cash Book

We recommend that the treasurer/collector convert her cashbook format and restructure entries to provide more detail. To effectively manage Winchendon's cash flow the treasurer/collector needs to accurately record and monitor the flow of money in and out of municipal accounts. The cash book serves as an original entry record of town receipts, deposits, account transfers, and

disbursements. The treasurer/collector's current cash book lacks a certain level of detail in some areas but too much in others. It also cannot be easily rolled into a cash flow budget.

Our sample formats integrate all this information by combining in the same document columns for transaction dates, warrant, batch and turnover reference numbers, receipt amounts, disbursement amounts, deposit dates, deposit amounts, and columns for every town bank account. When updated daily, a cash book will display the flow of money based on debits and credits into and out of each account. Further, at the top of the sample sheets are formula-enabled cells to sum the debit and credit transactions of each account and to present the town's overall current cash position. A copy of our sample cash book can be found on our website, www.mass.gov/dls, under Technical Assistance Services > Financial Calculators and Sample Forms.

16. Consider Quarterly Water/Sewer Billing Cycle

We recommend that the town shift its billing of water and sewer users from a semiannual to quarterly cycle to improve cash flow. Before making this decision, however, the interim town manager should meet with impacted departments. At issue is the ability of the public works department to complete and process meter readings four times each year, as well the capacity of the treasurer/collector's office to receive, post, and deposit payments twice as often. Although the treasurer/collector's office appears equipped to handle the additional workload, the public works department needs to complete its meter replacement program before making the conversion. Beginnings sometime last year, the department discovered that the transmitters on their 2,000 newly replaced radio read meters began to fail soon after they were installed. The department is methodically working to replace the failed meters but with a limited two-person staff the process takes time.

17. Convert Collections Application to Munis or Build Data Bridge

The treasurer/collector's office issues over 18,000 bills each year for real and personal property taxes, motor vehicle excise, and water and sewer charges. At the same time, the office receives and posts a significant number of weekly departmental turnovers to record receipts throughout the year. In each instance, staff must manually post the information into either Point Software's collections application or the Munis Utility module. Those entered into Point, however, must be reentered again into the Munis General Ledger application. This two-step process is laborious and a duplication of effort.

Moving forward, the treasurer/collector should consider abandoning her separate tax collections application in favor of a single, integrated system to process taxes, utility bills and financials. Doing so would streamline workflow between modules by eliminating the need to manual repost from one system to another and reduce any associated reconciliation work that might occur. As an alternative, the treasurer/collector could construct a data bridge to electronically transfer account information from one software application to another. While this would streamline procedures reposting receipts, it defeats the purpose of having an integrated software application like Munis.

18. Acquire Counter Computer Terminal

The treasurer/collector's office should place a computer terminal at their office counter. In this way, department staff can easily review account information, print bill data, and post payments without needlessly disrupting service by returning to their desk. For additional convenience and functionality, the desktop can also be linked to the cash drawers which would then function like a true point of service register system, which would speed customer transactions and provide for more accurate record keeping.

19. Continue Office Filing Project

The administrative assistant in the assessing office is working to standardize the department's filing system to ease access to information in Winchendon and across RRG's other communities it services. For example, she is building a parcel folder for each property to include all relevant property-related records. To date she is about halfway through the town's 4,727 parcels. Without such a system, records access is more difficult and time consuming. At the same time, it presents an opportunity to review current practices and to seek ways to streamline departmental operations and provide more resources to the public. The town's website and window counter space offer two areas to maximize the ability to share with the public. We therefore encourage the administrative assistant to complete her filing project, which might require additional resources, and publish more information to the web and at the counter such as abatement and exemption applications.

20. Address Certification Directives

We recommend that RRG work with the town's BLA community advisor to develop a plan to address certification directives. Every three years the Bureau of Local Assessment (BLA) certifies that assessed values in town represent full and fair cash valuation for each class of real and personal property. Certifications ensures that proposed values are based on generally accepted

mass appraisal practices, supported by market evidence, and are uniformly and equitably applied to all property. As part of the process, BLA issues a series of directives to improve the overall accuracy and effectiveness of the town's practices. Winchendon was issued six recommendations during their FY2015 certification, including the need to review residential neighborhood delineations, land schedule influences, and to appoint a third member to the board of assessors.

21. Implement Disaster Recovery Plan

The IT director in collaboration with the town's emergency management personnel should develop a formal IT disaster recovery plan. Any organization can experience a serious incident that prevents normal day-to-day operations. Under these circumstances, it is important that the town has a plan that ensures continuity of services. Although the town has taken steps to protect critical data, including routine computer data backups, officials should work toward crafting a comprehensive written disaster recovery plan that identifies step-by-step instructions and employee assignments in the event of a disruption. Once in place, town personnel should train periodically on the necessary procedures.

22. Adopt Internet, Email, Social Media, and Computer Acceptable Use Policy

We recommend that the IT director develop a comprehensive acceptable use policy for all employees and officials who use the town's computer systems. The policy, to be approved by the board of selectmen, should address topics such as allowable email, internet and social media usage, password protection, allowed software, network and workstation file downloading, network monitoring, and disaster recovery. Ultimately, the purpose of these policies is to safeguard both the town and its personnel against the risk of compromised data or networks. A form should be created on which the signatory attests that he or she has read and understood the policies and the associated penalties for noncompliance. The town manager should distribute the policy and forms to department heads, who would secure employee acknowledgments. Acknowledgments should also be obtained from all new officials and employees as they begin their tenures or employment. The town should retain the signed acknowledgment forms in each employee's personnel file.

23. Shift Website Oversight

Winchendon's website, www.townofwinchendon.com, was developed by Virtual Towns & Schools and is managed by a local outside volunteer. The site is well organized, easy to navigate, and offers a number of enhanced self-service tools such as the ability for residents to pay tax bills. It therefore

serves as an official point of contact between the town and the general public. For this reason, the IT director should have an active, more defined role in managing the website. This would include overseeing those with access rights to post information to the site and filtering any content to be posted.

24. Implement a Help Desk

Town staff who encounter technology issues currently seek fixes from the IT director through informal requests communicated via email, phone, or in person. Implementing a help desk ticketing software to organize and prioritize these referrals would benefit overall town operations. Besides systematizing the resolution process, such a program would provide management reports that can highlight the need for training or technology-related capital investment. In a basic system, users log requests into a program that creates a ticket for each issue and then records the time of ticket creation, the actions taken, and the ticket's resolution time. By establishing a structured workflow, the software becomes a valuable time management and recordkeeping tool. With many free or inexpensive help desk systems available, we encourage the IT director to research which would be most appropriate for Winchendon.

Appendix

I. FY2016 Budget Summary Projection

	FY2012 ACTUAL PER RECAP	FY2013 ACTUAL PER RECAP	FY2014 ACTUAL PER RECAP	FY2015 ACTUAL PER RECAP	FY2016 Projected
I. REVENUES and AVAILABLE FUNDS					
A. TAXATION:					
1. FY2014 Levy Limit Base	\$8,887,758	\$9,170,770	\$9,463,261	\$9,768,280	\$10,385,599
2. FY2014 Amended Growth					
3. (line 1 + line 2) x 2.5%	222,194	229,269	236,582	244,207	259,640
4. FY2015 New Growth	60,818	63,222	68,437	73,112	75,000
5. FY2015 Override				300,000	
6. FY2015 Debt /Capital Exclusion	863,196	166,815	117,000	-79,633	
e. Town Office					
7. Other					
TOTAL REVENUE: TAXATION	10,033,966	9,630,076	9,885,280	10,305,966	10,720,239
NON-TAXATION REVENUE and AVAILABLE FUNDS					
B. ESTIMATED RECEIPTS:					
1. State Aid Cherry Sheet	13,009,338	13,180,744	13,311,852	13,430,746	13,664,007
2. Local Receipts Not Allocated	1,823,223	1,887,000	2,377,218	2,067,335	2,314,500
3. MSBA Payments	892,815	286,825			
4. Enterprise Receipts	2,159,796	2,159,716	2,340,052	2,263,766	1,923,008
C. AVAILABLE FUNDS:					
1. Free Cash Appropriated for Specific Purposes					
Free Cash Appropriated to Reduce the Rate					
2. Stabilization Fund Appropriated for Specific Purposes	30,000	18,000			35,500
Stabilization Fund Appropriated to Reduce the Rate					
3. Overlay Surplus Appropriated	104,282	26,420	9,000		
4. Other Available Funds Appropriated	309,329	427,022	181,980	125,772	615,826
5. Deficit Legislation				3,000,000	
6. Final MSBA Payment				334,946	
7. E911 Grant					74,000
TOTAL : NON-TAXATION and AVAILABLE FUNDS	18,328,784	17,985,727	18,220,101	21,222,565	18,626,841
TOTAL REVENUE and AVAILABLE FUNDS	\$28,362,750	\$27,615,803	\$28,105,381	\$31,528,531	\$29,347,080

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	FY2012 ACTUAL PER RECAP	FY2013 ACTUAL PER RECAP	FY2014 ACTUAL PER RECAP	FY2015 ACTUAL PER RECAP	FY2016 Projected
II. EXPENDITURES					
A. APPROPRIATIONS:					
1. Gross Appropriations from Town Meetings	\$27,056,933	\$26,294,246	\$26,459,124	\$26,967,461	\$27,771,171
B. OTHER AMOUNTS TO BE RAISED:					
1. Tax Title/Debt and Interest	14,416				
2. Final Court Judgements					
3. Overlay/Revenue/Offset Deficits	5,584				
4. Cherry Sheet Offsets	186,040	217,479	197,167	175,563	255,358
5. Snow & Ice Deficit c.44,s31d			158,721	191,527	
6. Other Overdrawn Accounts			87,370	2,972,335	
7. State and County Charges	1,030,559	1,029,108	1,115,467	1,093,478	1,313,887
8. Overlay	65,690	72,499	85,882	125,322	70,000
9. PVPC Assessment					
10. Veteran's Services District Assessment					
TOTAL: OTHER AMOUNTS TO BE RAISED	1,302,289	1,319,086	1,644,607	4,558,225	1,639,245
TOTAL EXPENDITURES:	28,359,222	27,613,331	28,103,731	31,525,686	29,410,416
RECONCILIATION					
TOTAL REVENUE and AVAILABLE FUNDS:	28,362,750	27,615,803	28,105,381	31,528,531	29,347,080
TOTAL EXPENDITURES:	28,359,222	27,613,331	28,103,731	31,525,686	29,410,416
EXCESS CAPACITY or (DEFICIT)!	3,528	2,472	1,651	2,845	-63,337
TOTAL TAXABLE VALUE	663,827,794	644,849,588	619,275,029	616,215,351	616,215,351
TAX LEVY	10,030,438	9,627,604	9,883,629	10,303,121	10,783,576
TAX RATE	\$15.11	\$14.93	\$15.96	\$16.72	\$17.50

Note: The FY2016 projection does not include any FY2015 deficits that will need to be raised, payments for any additional deficit borrowing done for FY2015 deficits, and any snow and ice deficits for FY2015 that will need to be provided for. Also, any projected E911 funding must be received prior to setting next year's tax rate to count as a revenue source.

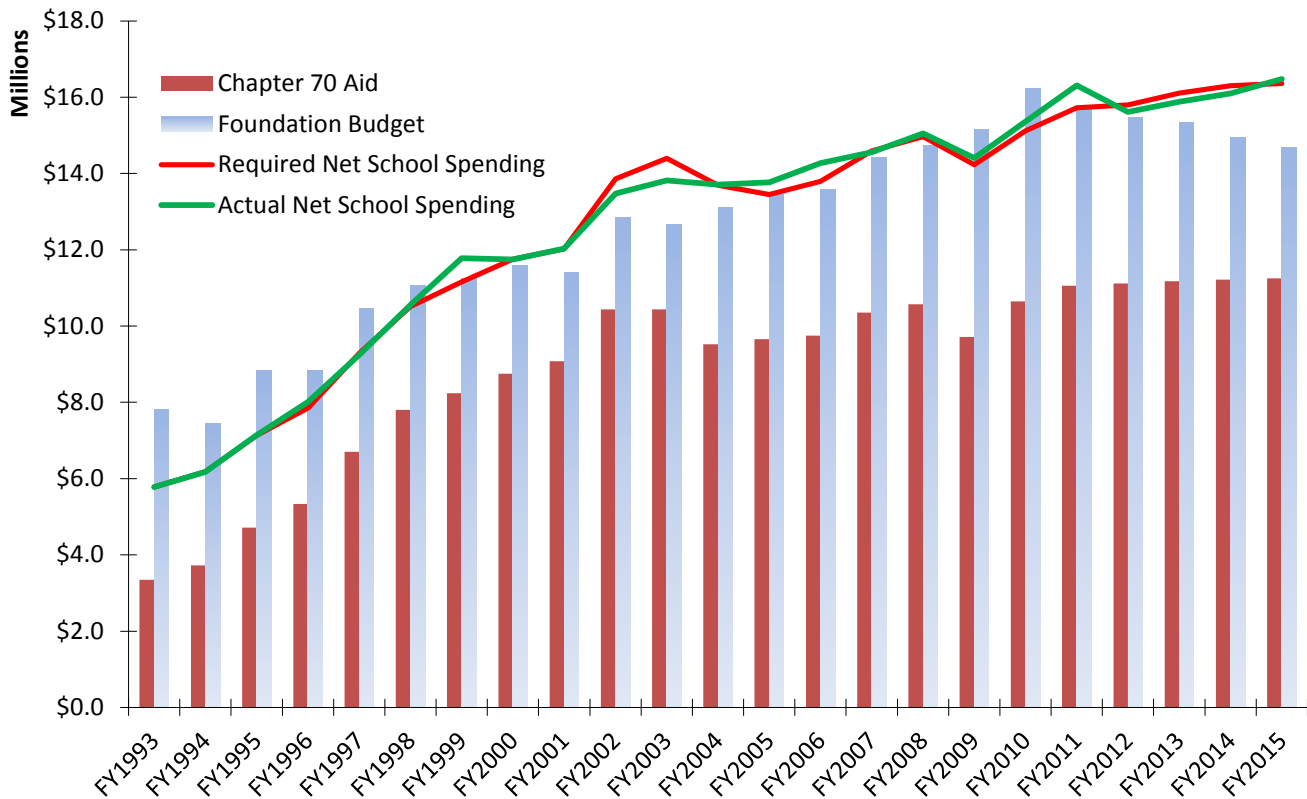
II. Certified Free Cash Trend

Free Cash Calculation	FY2011	FY2012	FY2013	FY2014	FY2015
Undesignated Fund Balance	\$286,415	\$401,315	\$375,847	\$299,639	\$824,124
Less: Real Estate Receivables	(844,416)	(933,078)	(939,866)	(981,813)	(970,431)
Personal Property Receivables	(8,068)	(9,247)	(9,928)	(12,656)	(14,174)
Other Receivables		(1,783,082)			
Overdrawn Appropriation Accounts	(54,120)	(130,965)	(138,331)	(287,998)	(970,156)
Overdrawn Grants	(64,117)	(65,260)	(110,549)	(106,045)	(370,454)
Health Insurance Trust				(535,497)	(1,903,087)
Other			(817)	(16,165)	(2,363)
Deferred Revenue	543,055	2,446,673	754,789	940,659	919,743
Certified Free Cash as of July 1st	(\$141,251)	(\$73,644)	(\$68,855)	(\$699,876)	(\$2,486,798)

III. FY2014 Deficits Raised

<u>Town:</u>	
Administration, Finance, and Benefits	(\$114,779)
Public Safety	(125,882)
Public Works (less snow and ice)	(92,845)
Human Services	(77,072)
Total Town	(410,578)
<u>School:</u>	(559,578)
Total Town and School	(970,156)
<u>Health Insurance Trust Fund:</u>	(1,903,086)
<u>Special Revenue Fund:</u>	
School Lunch Program	(37,487)
Urban Self-Help Grant	(23,980)
Town Hall Roof	(4,316)
Sr. Center Director Wages	(4,346)
Total Special Revenue Fund	(70,129)
<u>Enterprise Fund:</u>	
Landfill Enterprise Fund	(28,964)
Total Enterprise Fund	(28,964)
Grand Total All Deficits	(\$2,972,335)

IV. Net School Spending Trend



Note: Federal SFSF grants in FY09, FY10, FY11, and FY12 and federal Education Jobs grants in FY11, FY12 and FY13 are not included in these calculations. Net school spending is limited to Chapter 70 aid and appropriated local contributions. However, the SFSF and Education Jobs calculations were directly based upon the Chapter 70 formula and helped districts spend at foundation budget levels.

Acknowledgments

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