Alan LeBovidge
Commissioner

Gerard D. Perry, Acting
Deputy Commissioner

City and Town

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School Department Revolving Funds

by Gary A. Blau

Generally, revenue received by any municipal department must be deposited in the general fund and cannot be expended for any purpose without further appropriation by the legislative body. M.G.L. Ch. 44, Sec. 53. However, many exceptions to this rule appear in the general laws and in special acts of the commonwealth establishing special funds.

One category of special fund is the so-called "revolving fund," established to dedicate a specific source of revenue from fees and charges to pay expenses in rendering the service for which those payments are made. The hallmarks of a revolving fund are that expenses cannot be paid until sufficient amounts have been received and that once received, money in the fund can be expended without further appropriation. The municipal treasurer, a bonded official, is generally the custodian of revolving funds under M.G.L. Ch. 41, Sec. 35 and M.G.L. Ch. 44, Sec. 53, and expenditures are made using the normal warrant process. M.G.L. Ch. 41, Secs. 52 & 56. About 25 such funds exist for particular or limited purposes, and of those about 13 apply specifically for schools. Each fund has its own limitations and restrictions with respect to whether it must be accepted by the municipality, whether interest remains with the fund, continuity and limits on amounts that may be expended or retained.

One of the broadest funds for school departments is the student athletic/activity fund into which are deposited student fees and other charges made for participation in school sponsored athletic and other student programs. M.G.L. Ch. 71, Sec. 47. No local acceptance is required to establish this fund, from which expenses of running the student programs may be paid. Compensation for program employees may be made from the fund, and may include employee benefits. Interest from deposits go to the general fund, but no limits are placed on the amount of expenditures or the amount that may be retained from year to year. Any out-of-state travel expenditures from the fund require approval of the mayor in cities and the board of selectmen in towns. The fund is broad enough to be used for fee-based school transportation, day care and after-school programs run by the school committee. All school-sponsored activities may be run out of one fund or individual funds may be set up for each program.

An adjunct of the student athletic/activity fund is the student activity agency account, also provided by M.G.L. Ch. 71, Sec. 47. This account is for funds raised by students for student activity purposes, such as for special trips or projects. No local acceptance is required and no statutory spending limits apply. Interest remains with this account, which may carry forward. Raised funds are deposited into a treasurer's agency account, but school principals are permitted to set up a separate checking account for immediate expenditures to be made by the principal. The school committee fixes a maximum balance for this checking account and funds may be transferred from the treasurer's agency account to the student activity checking account utilizing the warrant process. The principal must be bonded and an annual audit is required.

Two other revolving funds allow the school committee to rent or lease out school controlled property and retain the funds for maintenance and upkeep. M.G.L. Ch. 40, Sec. 3 authorizes the committee to retain rents charged for use of surplus school property or space. Revenues may be expended for upkeep of the property rented for the year of the rental. However, if the municipality specifically accepts the provisions of a particular clause, revenues may also be used to maintain any school facility and carry over from year to year. This fund may be used for salaries and capital items and no spending ceiling is provided. M.G.L.

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Inside This Issue

From the Acting Deputy Commissioner

The annual state budget is based on the anticipated financial needs of the state during the coming fiscal year. However, no budget anticipates the state's needs perfectly. Therefore, every legislative year includes the passage of "supplemental" budgets and also "deficiency" budgets.

Historically intended to fund emergency needs, supplemental budgets have evolved into a funding mechanism to account for oversights or unanticipated expenses. For example, last November, the governor signed a supplemental budget bill totaling $81 million. This new budget act included, among other things, funding for reimbursements paid to veterans and the police incentive pay program. Most of this additional spending will be covered by the state's stabilization fund.

Deficiency budgets are generally filed toward the end of the fiscal year when a gap between actual expenditures and the appropriation is projected and are often necessary to enable the Commonwealth to close its books. Last August, the governor signed a $25 million deficiency budget that included the payment of back fees owed to lawyers who represent the poor.

For more information, refer to the State Budget Sources listing on our website (www.mass.gov/dls/budget/budgetsource.htm). Also, the cover story in the April 2002 issue of *City & Town* (available online at www.mass.gov/dls) is an excellent resource.

Gerard D. Perry
Acting Deputy Commissioner

Legal

in Our Opinion

Land Conservation and Exemption

by James Crowley

Is a land conservation organization eligible for a charitable exemption on its real estate? This was the issue presented to the Appellate Tax Board (ATB) in the case of *Wing's Neck Conservation Foundation, Inc. v. Board of Assessors of Bourne*, (docket no. F262914-916, July 8, 2003).

Wing's Neck is a 400-acre peninsula located at the entrance of the Cape Cod Canal in the Town of Bourne. Most of the land on the peninsula is owned by individual homeowners. Wing's Neck Conservation Foundation, Inc. (Foundation) is the owner of three parcels on the peninsula. The Foundation is a Chapter 180 nonprofit corporation formed in 1998 by the Baker family to "promote and carry out charitable, educational, and scientific purposes including the acquisition and preservation of environmentally or ecologically significant land for open-space conservation purposes." Under its bylaws, membership in the Foundation is limited to five members. The Bourne assessors taxed the Foundation on the three parcels for fiscal year 2002. The Foundation filed timely exemption applications, which were denied by the assessors. There were prompt appeals to the Appellate Tax Board.

The Foundation claimed the three parcels were exempt under M.G.L. Ch. 59 Sec. 5 Cl. 3 since they were owned and occupied for charitable purposes. The Foundation alleged it was charitable in operation since it conserved open space, which benefited the general public. Two experts testified on behalf of the Foundation. They emphasized the importance of maintaining these parcels in their natural state in order to protect native trees and wildlife. In their view, it was essential to restrict public access and traffic to these parcels and also crucial to stop residential development.

The ATB looked at the evidence to determine public benefit. It was undisputed that there were no public parking areas on Wing's Neck. Only residents and their guests went to Wing's Neck. The three parcels in question were closed to the general public. Consequently, there were no public lands for visitors to frequent. According to the ATB, the subject parcels were acquired primarily to benefit the Baker family and other property owners in Wing's Neck. The ATB also noted that the Foundation permitted two of the parcels to be used by adjacent landowners. In conjunction with one parcel, the Foundation granted a right of way easement for continued use of an existing driveway, which crossed the Foundation's property. The Foundation also permitted the building of a driveway on a second parcel. The ATB concluded that the Foundation, by these actions, did not further its corporate goals since the resulting increased traffic affected the environment on Wing's Neck.

According to the ATB, other decisions had upheld taxation because of the absence of public access to the land in question. The situation on Wing's Neck was like that presented in *Marshfield Rod & Gun Club v. Assessors of Marshfield*, 1998 ATB Adv. Sh. 1130 (1998). In *Marshfield*, the ATB held that property open only to the members for recreational purposes could not be exempt under Clause 3. Although the Gun Club's corporate purposes included education of the public on the use of firearms and conservation of natural resources, the ATB ruled in *Marshfield* that the taxpayer offered only a limited number of courses on gun safety, and

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Focus on Municipal Finance

Municipal Bond Ratings

by Joan E. Grourke

Cities and towns borrow money to finance many types of public facilities and infrastructure by issuing bonds. These types of bonds are commonly referred to as long-term, or General Obligation (GO) bonds, which means that they are guaranteed by the city or town's pledge of "full faith and credit and taxing power." This phrase conveys the pledge of utilizing all taxing powers and resources, if necessary, to pay the bondholders.[1]

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

Should a city or town choose to borrow funds by issuing long-term bonds, it must apply for a credit rating from an independent rating agency such as Moody's Investors Service or Standard & Poor's (S&P). This article highlights some of the criteria these agencies use to assign creditworthiness or bond ratings.[2]

Both Moody's and S&P consider four key factors when assigning credit ratings to GO bonds.[3] These are economy, finances, debt and administration/management. Moody's stresses that "there is no algebraic formula by which a rating can be predicted. The most useful tool for evaluating credit risk is examining the way the four credit areas interact."

Economy

Both credit rating agencies consider the economy as one of the most critical elements in determining a community's rating since the economic base of a community ultimately generates the resources that repay municipal debt.

Moody's and S&P compile an economic profile of the bond issuing community in order to evaluate specific economic strengths and weaknesses. In compiling this profile, they consider such things as the community's geography, infrastructure, utility systems and proximity to transportation networks. Indicators of economic growth, such as building permits, retail sales and employment data are also evaluated.

Demographic characteristics are also used to assess the vitality of a given area's economy. The population base is profiled in terms of age, education, labor skills and wealth and income levels. To evaluate the extent of a community's overall wealth, Moody's looks at the full value per capita — which is the full valuation of taxable property divided by a given population — as an important indicator.

The tax base of a community is also evaluated by these agencies. They consider the credit quality and market position of a region's largest employers, and the strength, as well as the diversity, of its largest taxpayers. According to Moody's, "a diverse economic base (one that is not highly concentrated in a single employer or type of industry) will be more likely to steadily expand and keep pace with the national economy. Conversely, a tax base that is highly dependent on a cyclical industry may periodically surge, stagnate, or experience declines."

Both Moody's and S&P regard communities with higher income levels and diverse economic bases as having superior debt repayment capabilities, reflecting better protection from economic changes or unexpected volatility.

Finances

According to Moody's, a municipality's prudent fiscal policies should include some plan related to reserves. Maintaining adequate reserves provides cities and towns with the ability to:

- meet cash flow needs until major revenues are received, thereby reducing or eliminating the need for cash flow borrowing;
- provide funds to leverage state or federal grants; and
- provide for the unexpected.

Moody's emphasizes that one financial statistic that is key to evaluating financial strength is the General Fund balance as a percent of revenues. This statistic is important because it provides a measure of the financial reserves potentially available to fund unforeseen contingencies. Moody's likes to see a General Fund balance sufficient to address normal contingencies, a level which, as a general guideline, is typically between 5–10 percent of annual revenues.

In terms of reserve policies, Moody's believes that formal policies (ordinance, bylaw or inclusion in local charters) are superior to "targeted levels." According to Moody's, formal policies are viewed more favorably "because they minimize political considerations of adequate reserve levels and keep the municipalities more focused on providing structural balance in their operations, with less dependence on one-time reserves."

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Bond Ratings **continued from page three**

An important variable in judging financial performance for S&P is the method of accounting and financial reporting. S&P evaluates a community's financial reports based on the guidelines of Generally Accepted Accounting Principles (GAAP). The Government Accounting Standards Board (GASB) interpretations of accounting rulings are also considered in evaluating organizations of funds, accruals, and other financial reporting methods.

Issuers are expected to supply adequate and timely financial reports. Financial reports prepared by an independent certified public accountant are preferred. Lack of an audited financial report prepared according to GAAP could have a negative impact on an issuer's rating, since questions about reporting will be raised.[4]

In reviewing an issuer's financial performance, Moody's and S&P consider pension liabilities as a "significant credit factor" for local governments. According to S&P, "even a well-funded plan can fall victim to unanticipated changes. Therefore, it is important to consistently monitor a retirement system's funding trend."

Moody's believes that "an unfunded pension liability, in and of itself, does not pose an immediate credit threat to most local governments." In order to determine the effect that the unfunded pension liability may have on the city or town's rating, Moody's will "examine the reason that it has arisen and the agency's ability and willingness to address it over a reasonable period of time." "Funding levels," states Moody's, "naturally will rise and fall as actual experience diverges from actuarial assumptions. A trend of declining funding levels and/or failure to make recommended annual payments, however, would be viewed as negative credit factors."

Both Moody's and S&P examine a range of other financial data, such as annual growth in revenues and expenditures; the amounts of and reasons for interfund transfers; primary revenue sources and expenditure items; the composition of assets and liabilities; cash position; and actual financial performance relative to budget.

Debt

With every new issuance, Moody's reevaluates the issuer's debt position in order to determine the increased debt load on credit quality. Such debt characteristics as the amount of short-term debt an issuer has outstanding and the overall structure of debt service payments are analyzed.

For Moody's, a key analytic issue is the rate of debt payment. This statistic measures the rate of principal retirement within a given period of time and can sometimes be indicative of an issuer's willingness to pay. According to Moody's, "If retirement is rapid, the issuer may be viewed as very willing to draw upon its resources to pay its obligations. Conversely, if debt is structured for a very slow payout, the opposite may be true. As a general rule, issuers usually structure their issues so that all debt is repaid within the useful life of the asset(s) being financed."

S&P measures the debt burden against a community's ability to repay. According to S&P, three indicators of this ability are:

- the tax base;
- the wealth and income of the community; and
- total budget resources.

In general, S&P considers a debt burden high when debt service payments represent 15–20 percent of the combined operating and debt-service fund expenditures. However, this benchmark will vary with the structure of government and the level of services an entity provides.

Administration/Management

Both Moody's and S&P acknowledge that administrative factors may be the most difficult to assess because they are

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Signs of Potential Credit Distress

- Trend of operating losses; fund balance drawn down.
- Deficit ending fund balance.
- Increasing reliance on operation transfers.
- Rising mandated or fixed costs as percentage of budget.
- Increasing benefits.
- Pension deferrals.
- Self-insured with no corresponding reserves.
- Significant litigation or settlement.
- Sale of asset for operating revenue.
- Current tax collections less than 95% or declining trend.
- Declining taxable values.
- Loss of major employer.
- Sharply increased debt obligations.
- Debt structure not consistent with useful life of financial asset.

Figure 1

Bond Ratings continued from page four

not easily quantifiable. However, despite the qualitative nature of management assessment, there are a number of elements that are important to their analysis of creditworthiness.

In Moody's view, management strength can be judged from looking at the other three factors:

• Good management strategies will help ensure that financial practices, such as tax collection procedures, and budgeting and investments, are appropriate and responsive to the municipality's needs.

• Debt practices will be thoughtfully structured and in line with statutory and voter prescribed debt limits.

• Good economic development policies will be adopted and government officials will be balanced in response to the demands for services relative to the needs of business and residential taxpayers.

S&P views the consistent timing of budget adoption as an indication of management strength. "Late budgets are a hindrance to planning and can be indicative of political or administrative difficulties."

Another measure of financial management strength is the review of financial results against original expectations. Variances between budget and actual results are indicative of management's financial planning capabilities. S&P also likes to see well-documented capital improvement plans and adherence to long-range financial plans.

Property tax administration is also analyzed by focusing on tax rates, levies, collection rates and delinquent tax collection procedures. Tax due dates and delinquency rates are noted for their possible cash flow effects.

Interestingly, Moody's points out that "most issuers, both large and small, are well managed. Despite this fact, they may not all achieve high ratings because the ultimate rating outcome reflects the synthesis of all credit factors."

Factors that Drive Rating Upgrades and Downgrades

Moody's points out that the factors discussed above are certainly not static and will most likely change over the life of the bond rating. For example, significant growth in assessed values could eventually drive ratings up — simply because the growth results in a larger tax base supporting debt obligations. Conversely, should the tax base decline, reflecting successful abatements or property demolition, debt burden could be driven up. This may result in a rating downgrade as there will be less taxable value to support government operations and pay debt service.

In another example, a "trend of prudent and sustainable fiscal management strategies coupled with carefully managed reserve levels" can also drive ratings upward. To the extent that reserves are bolstered and are expected to be maintained, a rating upgrade may be warranted. Also, an issuer that is able to decrease financial vulnerability, "perhaps through the elimination of a service that historically proved to be expensive and difficult to budget such as a … hospital … could be a key credit strength that leads to a rating upgrade."

Figure 2 provides a summary of factors that drive rating changes.

For definitions of the various long-term bond ratings assigned by Moody's and Standard & Poor's, visit the Division of Local Services' Municipal Data Bank at www.mass.gov/dls. These spreadsheets also contain a listing of both Moody's and Standard & Poor's bond ratings by community. ■

1. The buyer of municipal bonds, however, has no claim on the assets of the issuer, i.e., the municipality.

2. The information discussed in this article was obtained from four major sources:

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Factors That Drive Rating Changes

Economy

• Significant development in the local tax base driving continued growth in total property values.

• Increased or decreased diversification of local economic base.

• Loss of key industry or employer with no workout plan.

Finances

• Expected augmentation or loss of financial flexibility.

• Expectation that significant growth or decline of reserves will continue.

Debt

• Significant increase in debt obligations without correlating development to offset tax base leveraging.

• Utilization of debt structure not appropriately matched to asset's useful life.

Administration/Management

• Implementation of new strategies expected to augment or detract from operating flexibility.

• Change in political environment which affects ability to react to unanticipated events.

Figure 2

DLS Update

STAR 2004

The Commonwealth of Massachusetts' Operational Services Division (OSD) will present the STAR (Statewide Training and Resources) exposition on April 27 and 28, 2004, at Worcester's Centrum Centre from 8:30 a.m. to 2:30 p.m. STAR is funded entirely by its exhibitors and is free to all employees from state and local agencies.

OSD establishes contracts for commodities and services on behalf of all state departments, which cities and towns can also use. STAR offers attendees opportunities to learn more about these products and services while meeting the contractors in a hands-on environment.

STAR 2003 was supported by 275 exhibitors representing a cross section of statewide contractors along with more than 2,000 attendees. STAR 2004 also offers education workshops, special training and musical entertainment. This year's exposition features workshops on Enhanced Comm-PASS and NewMMARS. For more information and to register online visit STAR at www.mass.gov/star.

New Quinn Bill Requirements

A review by the Board of Higher Education (Board) of programs eligible under the Police Career Incentive Pay Program (PCIPP or the Quinn Bill) found that only 14 of 48 criminal justice programs in Massachusetts were ready to meet new academic criteria that took effect in January 2004.

Prior to 2002, the Board had little authority to ensure the quality of programs eligible under the Quinn Bill. Sixty institutions awarding degrees in 80 programs were on the approved list. A report on criminal justice programs issued by the Board in 2001 recommended the Board be given greater authority for quality assurance of academic programs approved under the Quinn Bill.

In July 2002, the Massachusetts General Laws were amended to delegate to the Board the authority to establish guidelines for programs pursued for police career incentive pay increases and to conduct periodic reviews of these programs. With this amendment, only degrees earned in criminal justice programs that meet the Board's new standards are eligible under the PCIPP.

The guidelines were developed by staff of the Board of Higher Education, in consultation with criminal justice professionals and academicians from both public and private institutions throughout New England. Essentially, these new academic standards call for most faculty to hold advanced degrees, rigorous testing, curriculum and course loads, and an abolition of so-called "life experience" credits.

Institutions seeking approval under the Board's new guidelines were required to submit applications to the Board by September 30, 2003. Thirty-five institutions completed applications for 48 programs. Of those 48 programs, 14 were approved by the Board in December 2003 as having met the criteria. Fourteen that were close to meeting the new academic criteria will be given until June 1, 2004, to meet the new standards. The remaining programs have requested extensions to respond to their reviews or have withdrawn from the process.

Under the 33-year-old program, police officers receive a salary increase of 10 percent for an associate's degree, 20 percent for a bachelor's degree, and 25 percent for a master's degree. Approximately 250 cities and towns participate in the PCIPP program.

For more information, the "Results of the Review of Criminal Justice Programs Seeking Approval under M.G.L. Ch. 41, Sec. 108L, as Amended," is available by linking to www.mass.edu/p_p/includes/meetings/2004/BHEDec11/CJBackground.pdf on the Board of Higher Education's website.

Online Auction Services

Massachusetts State Treasury officials are pursuing plans to post unclaimed safety deposit box items on eBay, an-Internet auction service, this year. The Treasurer's office predicts the state can bring in more than 10 times the profit it has in the past during its annual auction of abandoned property. Although Massachusetts has used the site in the past to sell old office furniture and equipment, the state has not put anything on the site for close to one year.

The State Inspector General's (IG) office has received several inquiries from cities and towns regarding the use of online auction services to dispose of surplus goods. The IG has confirmed that an online auction service will fulfill the auction requirement in M.G.L. Ch. 30, Sec.15 for the disposal of surplus goods. However, communities must still comply with all of the other requirements under Chapter 30B, Section 15 which, among other things, requires the publication of a newspaper advertisement.

Also, a notice must be posted in a conspicuous place in or near government offices at least two weeks prior to the auction. The advertisement may simply reference the online auction website as the place for the auction and indicate the date it will be posted and the closing date for bids.

If the fee for an online auction service will cost more than $5,000 but not more than $25,000, the community will need to solicit three oral or written quotations for online auction services. If the fee will cost $25,000 or more, then an IFB or RFP for online auction services must be solicited. For more information, refer to the Inspector General's December 2002 Procurement Bulletin, which is available on the IG's website at www.state.ma.us/ig/. ■

Revolving Funds **continued from page one**

Ch. 71, Sec. 71E, if accepted by the municipality, authorizes the school committee to rent out space in school buildings for civic, social, educational or recreational purposes during non-school hours and to expend those funds for the upkeep of the facilities. The fund has no spending ceiling, interest goes to the general fund, and the fund carries forward.

The school lunch program is operated using a hybrid grant/revolving fund. Established by St. 1948, c. 548, revenues include federal grants and sales of meals. No acceptance is required and the fund may be expended for wages and equipment to provide student meals during the school day. Under M.G.L. Ch. 44, Sec. 53A the school may spend in anticipation of grant funds. Interest remains with the fund, which carries forward. The school must comply with federal and state reporting/auditing requirements.

Other school revolving funds include school choice tuition (M.G.L. Ch. 76, Sec. 12B(o)), nonresident student tuition (M.G.L. Ch. 71, Secs. 16D½ & 71), day care (M.G.L. Ch. 71, Sec. 26C), vocational education (M.G.L. Ch. 74, Sec. 14B), culinary arts (M.G.L. Ch. 71, Sec. 17A), adult/continuing education (M.G.L. Ch. 71, Sec. 71E), community schools (M.G.L. Ch. 71, Sec. 71C) and school bus advertising (St. 2002, c. 184, Sec. 197). The departmental revolving fund under M.G.L. Ch. 44, Sec. 53E½ may technically be used for school purposes. However, it is not well adapted for schools because it has strict expenditure and retention limitations and must be renewed annually to carry forward.

A chart summarizing school department revolving fund programs is available online at www.mass.gov/dls under "Publications and Forms," or link to www.dls.state.ma.us/PUBL/FORMS/RevolvingFunds.pdf. ■

Land Conservation **continued from page two**

there were apparently no educational programs relating to conservation. On these facts, the ATB ruled that the Gun Club did not benefit an indefinite class of the public. On the contrary, the Gun Club operated merely as a social club for the benefit of members and guests with only incidental charitable purposes.

In *Nature Preserve, Inc. v. Board of Assessors of the Town of Pembroke*, 2000 ATB Adv. Sh. 796 (2000), the ATB found the subject property was not open to the general public. "No trespassing" signs were posted and only those people with a permit were allowed access to the land. In *Nature Preserve*, the ATB held that a Clause 3 charitable exemption requires that the property be *directly* occupied in accordance with the charitable purposes set forth in the corporate charter. A taxpayer claiming exemption must show the property is *actively appropriated* for charitable purposes. In *Nature Preserve*, the taxpayer argued that its charitable occupancy consisted of conserving open space. According to the ATB's *Nature Preserve* ruling, a charitable occupancy for wildlife protection requires some affirmative action on the part of the taxpayer. There must be an active appropriation of the property, and not merely passive ownership as was the case in *Nature Preserve.*

In the *Wing's Neck* case, the ATB found that the three parcels were not open to the general public. Since there was primarily a private benefit to the property owners in the area and only an incidental public benefit from conservation of the land, the ATB held that the three parcels were taxable. ■

Bond Ratings **continued from page five**

Barzel, Dari. "Moody's Perspective on Increased Pension Costs for California Local Governments." *Moody's Investors Service,* June 2003

Incorvaia, John. "Your General Fund Balance — One Size Does Not Fit All." *Moody's Investors Service*, February 2002

Lipnick, Linda Hird and Rattner, Yaffe. "The Determinants of Credit Quality (A Discussion of Moody's Methodology for Rating General Obligation, Lease-Backed and Revenue Bonds)." *Moody's Investors Service,* May 2002

"Public Finance Criteria: GO Debt." *Standard & Poor's,* 12 November 2002

For a more in-depth look at how these agencies determine credit ratings, please refer to these articles in their entirety by contacting Moody's at (212) 553-1658 and S&P at (212) 438-2400 for copies.

3. Moody's and S&P also assign bond ratings to short-term securities (i.e., Revenue Anticipation Notes (RANS), Tax Anticipation Notes (TANS), and Tax and Revenue Anticipation Notes (TRANS). For more information, contact Moody's to receive a copy of the article "Short-Term Note Rating Methodology" (October 2003).

4. The Division of Local Services encourages communities to conduct audits annually, rather than every two or three years. Audits conducted every two or three years involve more work for the auditor, and more work means more cost to the town. For example, when audits are conducted every three years, the auditor cannot rely on the accuracy of the prior year's ending balances, since that year was not formally audited (nor was the year before it). Consequently it takes more time to verify the accuracy of beginning balances, and this additional work is reflected in the auditor's fee.

DLS Profile: BOA Supervisor

F. Ellis Fitzpatrick

F. Ellis Fitzpatrick is a veteran staff member of the Division of Local Services (DLS) who has a wide range of experience in municipal accounting. Not only does Ellis have hands-on experience with municipal accounting, he has academic credentials that lend to his expertise. He holds a bachelor's degree in accounting and business management from the University of Notre Dame and also a master's degree in public administration from Suffolk University. In 1984, Ellis became a certified public accountant.

Ellis' service as a state employee dates back to 1975 when he began working as an auditor in the Office of the State Auditor. In 1985, he joined DLS' Bureau of Accounts (BOA) as the Assistant Director. In 1997, Ellis began working as the regional supervisor for the Division's Worcester and Springfield offices in the Education Audit Bureau. He now works as the Accounting and Auditing Policy Specialist in the Bureau of Accounts. In this capacity, Ellis was one of the chief contributors to the Division's revised Uniform Massachusetts Accounting System (UMAS) Manual that was issued in July 2003.

One thing that Ellis finds particularly desirable about his position is that he feels he can "make an impact on local government administration statewide and make it more professional and efficient."

Ellis is active in various professional organizations related to municipal finance. For example, he is the current chairperson of the Governmental Accounting and Auditing Committee of the Massachusetts Society of Certified Public Accountants. He also holds the designation of Certified Governmental Financial Manager from the Association of Governmental Accountants.

A long-time resident of North Andover, he is the former president of the North Andover Lions Club. Ellis served as a naval lieutenant in the Vietnam War. ■

New DLS Mailing Address

In January 2004, the Massachusetts Department of Revenue relocated several of its offices, including the Division of Local Services (DLS), from 51 Sleeper Street to 100 Cambridge Street. The Division's new mailing address is as follows:

Division of Local Services
PO Box 9569
Boston, MA 02114- 9569
Attention:

The Division's previous mailing address (PO Box 55490, Boston, MA 02205-5490) will remain in effect until March 31, 2004.

For Federal Express, UPS, DHL, GOD, or any other vendor, use complete street address and zip code:

Division of Local Services
100 Cambridge Street
Boston, MA 02114
Attention: ■

City & Town
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Joan E. Grourke, *Editor*

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