



Massachusetts Regional School Administrators' Guidebook

by

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Acknowledgements

There are 83 regional school districts currently operating in the Commonwealth of Massachusetts and several more that are in the planning stages. This represents roughly one-third of the total number of school districts in the state. Prior to 2006, there was no formal training or collection of resources available to guide in the administration of this hybrid municipality.

In 2006, the Massachusetts Association of School Business Officials (MASBO) established a subcommittee on regional schools to begin to take a look at the specific needs associated with operating in a regional setting. Initially the group compiled a list of professional development topics. Small subgroups of the subcommittee developed presentations for some of the topics, and in the process compiled resources.

After two years, it became apparent that there was a demand for help and support that far exceeded the subcommittee's ability to fulfill. For this reason, the authors of this handbook, with the support of MASBO, decided to compile and write this handbook. Some of the resources that were prepared for the workshops by presenters (DESE, DOR, Massachusetts Treasurers and Collectors Association, and members of the regional subcommittee) have been incorporated into this document. We wish to acknowledge those contributions and convey our appreciation for their dedication to improving the quality of educational services available to our profession.

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While the objective of this publication is to provide accurate information regarding its subject matter, the reader is reminded that the publisher is not engaged in providing legal or any other professional service. Given the rapidly changing nature of the law, the information in this manual may also become outdated. Therefore, readers are encouraged to also research original and current sources of authority and/or seek the legal advice of a qualified Massachusetts attorney.

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Introduction

There are many rules, regulations, and legal requirements imposed on school districts that govern student, staff, and school administrative responsibilities. For those school districts that are a department of a city or town, other departments within the city or town perform certain tasks and/or fulfill legal obligations mandated by such laws and regulations. Since a regional school district is an independent entity, it must meet similar legal requirements imposed on a municipality. This guidebook was prepared to document what additional responsibilities or obligations regional school districts must perform to meet these requirements.

It is acknowledged that some of the responsibilities mentioned in this guidebook may be delegated by a municipality to school personnel in their school department. However, in a regional school district, the district is ultimately responsible for ensuring compliance relative to the areas covered in this document.

This guidebook has been divided into five chapters:

- Chapter 1 covers accounting duties and regulations;
- Chapter 2 covers regulations associated with the treasury;
- Chapter 3 focuses on the budget and assessment process;
- Chapter 4 reviews requirements associated with personnel and benefits administration;
- Chapter 5 is devoted to those regulations related to support services.

Each chapter is laid out similarly. Chapters begin with brief overviews. Each topic within the chapter appears as a heading with additional subheadings describing specific concepts and requirements. Each topic is followed (in the web version) by active links to references where legal citations and more detailed information can be found. These links appear in blue hyperlink type. There are also 12 templates and instruction sets that may be downloaded and used by district administrators to meet some of the compliance requirements. These appear in green type after the links in the body of the chapter.

Importance of Segregation of Duties

Segregation of duties (SOD) is one of the most important internal controls an organization implements to ensure that fraud, errors, and/or irregularities are prevented or detected on a timely basis during the normal course of business. Segregation of duties provides two benefits: 1) deliberate fraud is more difficult to execute because it requires collusion of two or more persons, and 2) it is much more likely that innocent errors will be found. In a regional school district, all accounting and treasury activities are performed internally and therefore it is critical to separate these functions to ensure that fraud and errors are caught in a timely manner. In essence, the person who processes and manages the cash, banking, and financing functions should not be the same person who processes and manages transactions in the general ledger. In Massachusetts, there is a statute that prohibits the school business official from performing the duties of the accountant and also that of the treasurer.

Accounting

The district accountant is a discreet position in a regional school district, appointed by the superintendent. In some districts the function of district accountant is performed by the business manager or assistant superintendent for business (or similar title), in others it's a separate position.

The responsibilities of a district accountant are similar to those of a town or city accountant. The ultimate role of the accountant is to monitor all financial transactions of the district and ensure compliance with laws, and policies of governing bodies. The accountant coordinates the financial record keeping functions of the district by:

- maintaining the general ledger;
- verifying that all expenditures are legal and that funding exists;
- processing accounts payable, payroll and purchase orders;
- balancing general ledger cash accounts with the district treasurer;
- preparing monthly and/or quarterly reports of all actual receipts and expenditures compared to budgets;
- preparing the Department of Elementary and Secondary Education (DESE) End of Year Pupil and Financial Report;
- providing copies of annual audits to the Department of Revenue and to the management of member communities; and
- preparing and filing the Excess & Deficiency Certification.

In addition, this position is responsible for implementing and ensuring that proper safeguards are in place to maintain a system of checks and balances. Many of the specific functions of the district accountant can be divided into three categories, (regulations, general ledger, and reporting) and are covered in greater detail below.

LINKS

MGL Chapter 41, Section 52, Approval of Bills

<http://www.mass.gov/legis/laws/mgl/41-52.htm>

MGL Chapter 41, Section 56, Warrants for payment of bills

<http://www.mass.gov/legis/laws/mgl/41-56.htm>

MGL Chapter 41, Section 57, Books of account and financial records

<http://www.mass.gov/legis/laws/mgl/41-57.htm>

MGL Chapter 41, Section 58, Duties; notice of condition of appropriations; record of appropriations

<http://www.mass.gov/legis/laws/mgl/41-58.htm>

Regulations

The accountant's functions are prescribed by various laws and regulations. These are promulgated primarily by GASB, GAAP, and state laws.

Governmental Accounting Standards Board (GASB)

The Governmental Accounting Standards Board (GASB) is an independent private sector organization, formed in 1984, that establishes and improves financial accounting and reporting standards for state and local governments. Its seven members are drawn from the Board's diverse constituency, including preparers and auditors of state and local government financial statements, users of those statements, and members of the academic community.

The mission of GASB is to establish and improve standards of state and local governmental accounting and financial reporting that will result in useful information for users of financial reports and guide and educate the public, including issuers, auditors, and users of those financial reports.

The three current GASB requirements that have a significant impact on regional school districts are as follows:

- **GASB 34** requires maintenance of an inventory of fixed assets, including infrastructure, which must be reported on financial statements. The effective date for the implementation of this statement was separated into three phases determined by the total amount of revenues of a district in fiscal year 1999:
 - Phase 1 – revenues totaling \$100 million or more to be implemented for fiscal year 2002
 - Phase 2 – revenues totaling \$10 million to \$100 million to be implemented for fiscal year 2003
 - Phase 3 – revenues totaling \$10 million or less to be implemented for fiscal year 2004
- **GASB 45** requires a study conducted by an actuary to report accrued liabilities for post employment benefits that must be reported on financial statements. The effective date for the implementation of this statement was also separated into three phases determined by the total amount of revenues of a district in fiscal year 1999:
 - Phase 1 – revenues totaling \$100 million or more to be implemented for fiscal year 2008
 - Phase 2 – revenues totaling \$10 million to \$100 million to be implemented for fiscal year 2009
 - Phase 3 – revenues totaling \$10 million or less to be implemented for fiscal year 2010
- **GASB 54** requires that fund balances be maintained in a more detailed manner on the financial statements. The effective date for the implementation of this statement is required for financial reports issued for fiscal year 2011.

LINKS

Governmental Accounting Standards Board Website

<http://www.gasb.org>

GASB 34 – Fixed Assets

http://gasb.org/cs/ContentServer?c=Pronouncement_C&pagename=GASB%2FPronouncement_C%2FGASBSummaryPage&cid=1176156699453

GASB 45 – Post employment benefits

http://gasb.org/cs/ContentServer?c=Pronouncement_C&pagename=GASB%2FPronouncement_C%2FGASBSummaryPage&cid=1176156700943

GASB 54 – Fund balance reporting

http://gasb.org/cs/ContentServer?c=Pronouncement_C&pagename=GASB%2FPronouncement_C%2FGASBSummaryPage&cid=1176156706651

Generally Accepted Accounting Principles (GAAP)

Generally Accepted Accounting Principles (GAAP) are accounting rules used to prepare, present, and report financial statements for governmental entities across the United States.

LINKS

GAAP website

<http://www.fasab.gov/accepted.html>

Municipal Finance Laws and Rulings

The following is a reference list of various finance requirements which apply to regional school districts, along with the pertinent legal reference.¹

1	Fiscal year in cities and towns begins July 1 and ends June 30 of the following calendar year	MGL Chapter 44, Section 56 (towns) and 56A (cities)—Until July 15, books may be kept open for payment of bills and payrolls of prior fiscal year, and to make transfers from reserve funds or operating appropriations using unencumbered balances (in order to cover shortfalls in other operating accounts). http://www.mass.gov/legis/laws/mgl/44-56.htm http://www.mass.gov/legis/laws/mgl/44-56a.htm
2	Boards, committees, heads of departments, and officers required to submit annual budget estimates	MGL Chapter 41, Section 59 (towns) and Chapter 44, Section 31A (cities)—Local school committees must submit detailed budget estimates. Regional school districts are not required by statute to submit a budget to members in a line item format. <i>North Middlesex Regional School District v. Townsend</i> , 32 Mass App. Ct. 338 (1992) http://www.mass.gov/legis/laws/mgl/41-59.htm http://www.mass.gov/legis/laws/mgl/44-31a.htm
3	Revenue belongs to general fund and appropriation is prerequisite to expenditures of most municipal funds	MGL Chapter 44, Section 53—All monies received by municipal officers, except statutory fees as provided by special acts, belong to the general fund and may not be spent without appropriation. Departments receiving monies are to turn them over to the treasurer within twenty-four hours. http://www.mass.gov/legis/laws/mgl/44-53.htm Many statutes authorize exceptions and create special funds for particular revenues. See <i>An Analysis of the Treatment of Municipal Revenue</i> , January 2006 <i>City & Town</i> , which includes a description of municipal revenues and list of statutes authorizing different types of special funds. http://www.mass.gov/legis/laws/mgl/44-53.htm http://www.mass.gov/Ador/docs/dls/publ/ct/2006/january.pdf
4	Regional school budget requests must be presented to and approved by the appropriating bodies	MGL Chapter 71, Section 16B—Regional school budgets must be approved by appropriating bodies of both member communities in two member districts, and ² / ₃ of members in districts with three or more members. See Chapter 2 for more details related to these requirements. http://www.mass.gov/legis/laws/mgl/71-16b.htm
5	Appropriations must be for public purposes.	MGL Chapter 40, Section 5; Mass. Const. Amend Article 46 Section 2, as amended by Article 103 (Anti-aid Amendment)—No municipal monies may be appropriated for charitable, religious or other private purpose. http://www.mass.gov/legis/laws/mgl/40-5.htm For a discussion of municipal spending purposes, see <i>Municipal Expenditures: Proper Public Purposes</i> , February 2006 <i>City & Town</i> . http://www.mass.gov/Ador/docs/dls/publ/ct/2006/february.pdf
6	Duration of appropriation depends on intent of appropriating body	Operating appropriations are intended to fund expenses between July 1 and June 30 of the fiscal year. Monies may be encumbered at the end of the fiscal year to cover outstanding contracts and bills. Any unencumbered and unexpended balance is closed by the accounting officer to the fund that financed the appropriation (usually the general fund). Some unexpended school department balances may carry over to the next fiscal year under the Education Reform Act MGL Chapter 70, Section 11. http://www.mass.gov/legis/laws/mgl/70-11.htm Special Purpose Appropriations are available until the purpose is fulfilled, unless transferred or rescinded by appropriating body. The balance after the purpose is fulfilled is closed to the fund or organization that financed the appropriation.

¹ Listing provided by Massachusetts Department of Revenue, Division of Local Services

General Ledger

The general ledger is the backbone of the accounting system. All transactions are recorded and tracked by category (revenue, expense, asset, etc.) and further divided by funding source (fund) and subclass to enable management to track information and prepare reports for internal and external purposes. The coding system used to record the transactions in these categories is referred to as the “Chart of Accounts” (COA). In Massachusetts, there is a set of standard codes that, at a minimum, must be included into the COA. This section reviews these requirements in greater detail.

Chart of Accounts

The chart of accounts is a list of accounts used by a regional district. The alpha-numeric structure and names of accounts should assist in consistent posting of transactions. In Massachusetts, a chart of accounts should follow the recommended guidelines known as the Uniform Municipal Accounting System (UMAS).

UMAS is regarded as the professional standard for municipal accounting in Massachusetts. As a uniform system for local governments, it conforms to Generally Accepted Accounting Principles (GAAP), offers increased consistency in reporting and record keeping, and enhances comparability of data among districts.

In addition, the Massachusetts Department of Elementary and Secondary Education (DESE) has additional requirements for reporting revenue and expenditure data from school committee appropriation, municipal spending in support of schools, revolving and special funds, gifts, and state, federal and private grants and contracts. Each school district shall report these revenues and expenditures in the manner required by the annual End-of-Year Financial Report.

LINKS

UMAS Manual

<http://www.mass.gov/Ador/docs/dls/publ/misc/umas.pdf>

DESE Chart of Accounts – Criteria for Financial Reporting

<http://finance1.doe.mass.edu/account/ChartOfAccounts.pdf>

Funds

There are different categories of funds that exist in Massachusetts school districts. Since the general ledger and chart of accounts are established and maintained by the regional school district accountant, an understanding of the different properties of each fund is essential. Some funds are intended for a specific purpose and some are to support the general operation of the district. There are laws that govern the manner in which the monies are receipted and accessed for spending. This section will provide a brief description of the main properties associated with the fund categories that may be used by a regional school district. These categories include general fund; special revenue funds (grants, gifts and revolving); capital project funds; and trust and agency funds.

1. **General Fund** Monies requested by a district from its member communities are appropriated by following a set of legally mandated steps, outlined in Chapter 3.
2. **Special Revenue Funds** Special Revenue Funds or “Special Funds” as they are often termed, are established for specific purposes defined by law or legislative act. There are three types of special revenue funds that a school district encounters; revolving funds, gift accounts and grants.

Revolving Funds Revolving Funds can only be established for specific purposes noted by statute. Generally the revenue generated for these funds is derived from fees charged for a non-mandated service or activity (before and after school programs, athletics, transportation user fees, building usage, etc.). The budgets for these funds are not subject to the annual adoption/approval process required by general fund budgets. However, expenditures from these funds must be specifically related to the purpose for which the fund was established. Any money left in the fund at the end of the year carries forward into the next year and the fund remains open until the revenue generating activity ceases to exist.

Gift Accounts Gift accounts are similar in nature to revolving funds except that the revenue comes from a different source. Gifts can be accepted by the school committee from charitable foundations, private corporations or individuals. Money

from these accounts can only be expended for the intended purpose and are subject to school committee approval. The account closes when the funds are fully expended or the purpose has been fulfilled.

Grants State and Federal grants are subject to legislative approval and are either competitive or entitlement in nature. In addition, grants may be received from private sources. Regardless of source or type a grant application, approved by the school committee, must be submitted to and approved by the awarding entity. Grant funds are intended to supplement funding from local appropriations for specific target areas. Because these funds are usually awarded on an annual basis, any funds not expended must be returned to the awarding agency unless otherwise stated at the time of the award.

- 3. Capital Project Funds** Capital project funds are established to track the expenditures for the acquisition of major renovation to, or construction of, a capital asset such as a school building or grounds. Capital projects can be funded by stabilization funds or by borrowing or through one-time warrant articles approved by member communities.
- 4. Trust and Agency Funds** Trust and agency funds are fiduciary funds. Fiduciary funds are funds that are held by the governmental unit for a specific purpose. They are held on behalf of a private organization, individual or other agency with the governmental unit acting in a trustee capacity or as an agent. There are three types of fiduciary funds that the school district would typically encounter: non-expendable trust funds (endowment funds), expendable trust funds, and agency funds (student activity funds).

Non-expendable Trust Funds (Endowment Funds, Scholarships) Endowment Funds are often established on behalf of an individual for a specific cause or purpose. Money given for this purpose is received by the district and deposited into an interest bearing account. Only the interest earned from investing the money is expended; not the principle. The fund is administered by a committee or individual outlined in the trust agreement.

Expendable Trust Funds (Stabilization, Pension and Health Claims Funds) Expendable Trust Funds are funds similar to a non-expendable trust fund, with the exception that the entire balance may be expended with the proper authority. A regional school district may establish a stabilization fund to set aside money for future capital projects. A majority vote of the school committee and subsequently a majority vote of the member municipalities are required in order to establish the fund. More detail on this fund is referenced under the Treasurer's section.

Agency Funds (Student Activity Funds) The typical agency fund applicable to school district operations is for extracurricular student activities. The school committee must sanction these activities. Revenue to support the activities can come from donations, fundraising or fees charged for participation. All revenue must be deposited into the agency account. Funds are accessed through local checking accounts maintained by the school principals.

Reporting

Statutes mandate that each district file many kinds of reports each year. The primary reporting requirements that are imposed on a regional district are detailed below.

Audited Financial Statements

Per Massachusetts General Law Chapter 71, Section 16 A, "the (school) committee shall solicit proposals and contract with an independent certified public accountant to perform an annual financial audit and make management recommendations, and shall receive the audit report in public session. Copies of the audit shall be provided within 10 days to the director of accounts and to the board of selectmen, town manager, mayor or city manager, as the case may be, in each member municipality."

LINK

MGL Chapter 71, Section 16A, Regional district school committee; selection, powers and duties of officers; subcommittees
<http://www.mass.gov/legis/laws/mgl/71-16a.htm>

Certification of Excess and Deficiency

Every regional school district must maintain an Excess and Deficiency (E&D) account. In cities or towns this fund is referred to as Free Cash and in private business this is similar to retained earnings. At the end of every fiscal year, any surplus or deficit in the district's general fund shall be closed to the unreserved fund balance, referred to as the excess and deficiency (E&D) fund.

On or before October 31 of each year, every regional school district must submit to the Department of Revenue the forms and schedules required for the purpose of reviewing and certifying the balance in the regional school district's excess and deficiency fund. At the discretion of the Commissioner, the DOR may withhold all or part of the region's quarterly state school aid for failure to submit the required forms and schedules by the deadline.

A regional school committee may use all or part of the certified balance in the excess and deficiency fund as a revenue source for its proposed budget. If the certified balance is five percent of the current year's budget, the regional school committee must use the amount in excess of five percent as a reduction in the assessment to the member communities.

The regional school committee may include a line item in the budget for a reserve for extraordinary and unanticipated expenditures.

Excess and deficiency funds may be expended only if funds from this account have been included in the original or amended budget. The process for amending and appropriating the budget is outlined in the "Amendment to the Budget" section in Chapter 3.

LINKS

DOR Annual Letter

<http://www.mass.gov/Ador/docs/dls/boa/boayearend/RegionalSchoolsCoverletter.pdf>

DOR Year-end Checklist

<http://www.mass.gov/Ador/docs/dls/boa/boayearend/YearEndChecklist.xls>

TEMPLATE

E&D Certification Analysis (Excel)

http://www.masbo.org/RSD/E&D_CertificationAnalysis.xls

Combined Balance Sheet (Excel)

<http://www.masbo.org/RSD/CombinedBalanceSheet.xls>

Treasury

The district treasurer is appointed by the school committee to handle and manage district funds. The treasurer serves as the district's cash manager. In this role, the treasurer maintains custody of all funds and is responsible for depositing, investing and disbursing monies. The treasurer must manage the district's financial resources to ensure the availability of cash to pay obligations as they become due. In addition, the treasurer is responsible for borrowing money and overseeing banking services. Ultimately, the treasurer bears responsibility for closing and reconciling all books and accounts in the treasurer's office, including the cash book, warrants (vendor, payroll, and special warrants), bank accounts (checking accounts, trust funds, and bond and coupon accounts), and debt records. The treasurer's responsibilities are divided into four categories (Custodian of Funds, Performance Bond, Debt, and Cash Management) and are reviewed in greater detail below.

LINK

MGL Chapter 71, Section 16A, Appointment and role of the Treasurer
<http://www.mass.gov/legis/laws/mgl/71-16a.htm>

Custodian of Funds

The treasurer must take custody of all monies belonging to the district and must scrupulously account for those monies. In this accounting, the treasurer must utilize and maintain a cash book containing a breakdown of all receipts, disbursements, and cash balances. The treasurer must maintain custody of stabilization funds, trust funds, investments, and all other funds of the district. Only the treasurer may pay out public money. Even then, the treasurer may only make payments upon the approval of the school committee. The treasurer must also render a true account of all receipts and disbursements and report official acts to the Department of Revenue.

LINKS

MGL Chapter 41, Section 35, Treasurer must take charge of money and make disbursements
<http://www.mass.gov/legis/laws/mgl/41-35.htm>
 MGL Chapter 71, Section 16A, Treasurer to take charge of money
<http://www.mass.gov/legis/laws/mgl/71-16a.htm>
 MGL Chapter 44, Section 53, City, town or district funds; use and disposition
<http://www.mass.gov/legis/laws/mgl/44-53.htm>

Cash Book

Documentation is essential for a good audit trail. When an audit is performed, transactions must be verified; therefore, clear, concise, supporting documentation will ensure an efficient and cost effective audit process. It also alleviates suspicion of mismanagement of funds, or outright fraud.

Since treasurers must “annually render a true account of all receipts and disbursements and a report of their official acts,” it is necessary to document all transactions in a cash book. The cash book provides a control that enables the treasurer to reconcile the cash on hand with bank statements and with the general ledger. The cash book should contain the dates and amounts of all receipts and deposits as well as a list of payments by warrant.

The contents of a cash book are:

1. Cash Receipts
 - a. Date
 - b. Source
 - c. Amount of deposit

2. Cash Disbursements
 - a. Date of warrant
 - b. Warrant number
 - c. Type of warrant (payroll, food service, capital project, student activity, accounts payable, etc.)
 - d. Amount of warrant
3. Supporting Documentation for the Cash Book
 - a. Schedule of Turnovers to the Treasurer (AD Form 9 & 10)
 - b. Check registers (including canceled and void checks)
 - c. Letters of transmittal
 - d. Deposit slips
 - e. Receipt books

A two part reconciliation process must occur every month: bank statement to cash book and cash book to the general ledger. The reconciliation process is not complete until both components of this process have been reconciled to the penny.

The treasurer should regularly and carefully prepare a Quarterly Cash Report which demonstrates that the treasurer's reconciled bank accounts are in agreement with the ledger balances of the accountant. The first three quarterly reports should be completed and maintained on file at the district. Only the fourth quarter report, for the quarter ending June 30th, should be submitted to the Department of Revenue.

LINK

DOR's Year-end Treasurer's Letter (2009) – Quarterly Cash report (PDF)
<http://www.mass.gov/Ador/docs/dls/boa/boayearend/TreasurersEOYLettre.pdf>

TEMPLATES

Schedule of Turnovers to Treasurer, AD Form 9 & 10 (Excel)
<http://www.masbo.org/RSD/ScheduleOfTurnover.xls>

DOR Treasurer's Quarterly Cash Report Instructions (Word)
<http://www.masbo.org/RSD/TreasurerQuarterlyReportInstructions.doc>

DOR Treasurer's Quarterly Cash Report (Excel)
<http://www.masbo.org/RSD/TreasurerQuarterlyCashReport.xls>

Cash Book Template (Excel)
<http://www.masbo.org/RSD/CashBookTemplate.xls>

Monthly Cash Reconciliation Treasurer to Accountant Template (Excel)
http://www.masbo.org/RSD/MonthlyCashReconciliation_TreasurerToAccountant.xls

Stabilization Fund

A regional school district may establish a stabilization fund to set aside money for future capital projects. A majority vote of the school committee and subsequently a majority vote of the member municipalities are required in order to establish the fund.

The regional school committee may include a line item in the budget for transfers into a stabilization fund established pursuant to the limits in MGL Chapter 71, Section 16 G½. Proposed expenditures from this stabilization fund shall not be included in the budget.

“The stabilization fund may be appropriated by a vote of two-thirds of all of the members of the regional district school committee, for any purpose for which regional school districts may borrow money or for such other district purpose as the director of accounts may approve.” (MGL Chap 71, Sec 16G½)

Money appropriated from the stabilization fund for capital projects must be set aside into a capital projects fund for the intended purpose (roof replacement, oil tank removal, etc.).

An annual report must be submitted to the member municipalities and include the fund balance, withdrawals, and any additions made to the stabilization fund.

LINKS

MGL Chapter 71, Section 16G½, Regional School Stabilization fund
<http://www.mass.gov/legis/laws/mgl/71-16g.5.htm>

MGL Chapter 40, Section 5B, Appropriating money for a Stabilization fund
<http://www.mass.gov/legis/laws/mgl/40-5b.htm>

Claims Trust Fund

Chapter 32B section 3A, enables a regional school district to establish a separate fund to pay for expenses related to health and dental care for active and retired employees. Funding for this trust is provided through the district's appropriation for health and dental contributions and the employees' contributions to health and dental costs. The district then enters into agreements with third party vendors to provide administrative services to manage the claims and other expenses associated with the health and dental programs.

The custodian of the fund shall be the treasurer. Funds shall be invested and reinvested by the treasurer consistent with the prudent investor rule set forth in Chapter 203C. All interest earned on investments shall be retained by the fund.

LINKS

MGL Chapter 32B, Section 3A, Administrative services contract for payment of claims by political subdivision; claims trust fund; annual audit
<http://www.malegislature.gov/Laws/GeneralLaws/PartI/TitleIV/Chapter32B/Section3A>

MGL Chapter 32B, Section 8A, Dividends and refunds; deposit in employees' group insurance trust fund; administrative costs; effective date
<http://www.malegislature.gov/Laws/GeneralLaws/PartI/TitleIV/Chapter32B/Section8A>

Other Post Employment Benefit Liability Trust Fund

Chapter 32B, Section 20, enables a regional school district to establish a separate fund to cover its unfunded liability associated with post-employment benefits. The trust fund shall be titled "Other Post Employment Benefits Liability Trust Fund" and is established by vote of the School Committee.

If this fund is established, the district must retain an actuary to establish and maintain a funding schedule. The district is under no obligation to appropriate funds in accordance with the schedule. It is permissible to post receipts received as reimbursements from the Federal Medicare program (Medicare Part D) to this fund.

The custodian of the fund shall be the treasurer. Funds shall be invested and reinvested by the treasurer consistent with the prudent investor rule set forth in Chapter 203C. All interest earned on investments shall be retained by the fund.

LINK

MGL Chapter 32B, Section 20, Other Post Employment Benefits Liability Trust Fund; local option; funding schedule
<http://www.malegislature.gov/Laws/GeneralLaws/PartI/TitleIV/Chapter32B/Section20>

Pension Reserve Fund

A regional school district may establish a pension reserve fund in order to offset the anticipated costs of the contributory retirement system. A majority vote of the district is required in order to establish the fund. The procedures for establishment of, funding for, and appropriating money from the pension reserve fund are outlined in the following statute.

LINK

MGL Chapter 40, Section 5D, Contributory retirement system funds; recovery of pension costs
<http://www.mass.gov/legis/laws/mgl/40-5d.htm>

Assessment Certification

The treasurer shall certify the budgetary assessments to the member town treasurers. The certification shall include:

1. The amount of state aid the district is to receive for the ensuing fiscal year;
2. The proportionate share of such aid for such municipality;
3. The amount, if any, by which such municipality's assessment for the current fiscal year was reduced at the end of the preceding fiscal year due to excess and deficiency being certified in excess of five percent of the operating budget.
4. A copy of the adopted budget. The adopted budget must be sent to the chairmen of the boards of selectmen, chairmen of the finance committees, mayors, presidents of the city councils and the treasurers.

For more information regarding the budget and assessment process, refer to Chapter 2 of this handbook.

LINK

MGL Chapter 71, Section 16B, Budgets; apportionment of expenses
<http://www.mass.gov/legis/laws/mgl/71-16b.htm>

Performance Bond

A treasurer must obtain a performance bond, in an amount not less than the minimum amount established by the Commissioner of Revenue through the publication and distribution of a bond amount schedule. This schedule lists ranges of amounts of money handled and the corresponding minimum bond amounts required. The bond, also known as a surety bond, is purchased from an insurance company. The performance bond is payable to a district and is intended to cover any malfeasance or fraud on the part of the treasurer. It does not protect the treasurer against suit or accusation.

Annually, municipal treasurers must calculate the approximate amount of money from all sources they will handle during the year, determine the range in which that amount occurs, and obtain a bond in at least the minimum amount for that range. If the chief executive officer of the district has set a higher amount, the treasurer must obtain a bond in that higher amount. The premium on such bond shall in every case be paid by the district. If the treasurer is not bonded within ten days of appointment, the school committee shall declare the office vacant.

To calculate the treasurer's minimum bond amount, first determine the amount of money from all sources which the treasurer expects to handle during the year for which the bond must be purchased. The fiscal items which must be considered by the respective officials include the following: trust funds, stabilization funds (if any), total estimated receipts, and bond proceeds.

After determining the amount of money the treasurer will handle, identify that amount in Column I of the Bond Amount Schedule. The corresponding amount in Column II is the minimum amount in which the district must obtain a performance bond.

Performance Bond Amount Schedule

This schedule identifies the minimum amount for which each municipal official must obtain a bond. As a municipal official the district must determine the amount of money from all sources that the official(s) will handle in the fiscal year. Identify that amount in Column I. The corresponding amount in Column II is the amount for which the district must obtain a performance bond. For assistance in using this schedule, consult the instruction sheet provided by the Department of Revenue.

COLUMN I	COLUMN II
Amount of Money Handled	Minimum Bond Required
\$30,000 or less	\$6,500
30,001-100,000	\$15,000
100,001-500,000	\$35,000
500,001-1,000,000	\$65,000
1,000,001-2,000,000	\$80,000
2,000,001-5,000,000	\$100,000
5,000,001-10,000,000	\$120,000
10,000,001-25,000,000	\$150,000
25,000,001-50,000,000	\$200,000
50,000,001-100,000,000	\$250,000
100,000,001-200,000,000	\$300,000
Amounts over 200,000,000	\$300,000 plus 100,000 for each additional \$100,000 <i>(Round to nearest 100,000,000)</i>
PER COMMISSIONER OF REVENUE	

LINKS

MGL Chapter 71, Section 16A, Bonding requirement for treasurer
<http://www.mass.gov/legis/laws/mgl/41-35.htm>

MGL Chapter 41, Section 109A, Fidelity bonds; payment of premiums
<http://www.mass.gov/legis/laws/mgl/41-109a.htm>

MGL Chapter 44, Section 55A, Liability of depositor for losses due to bankruptcy
<http://www.mass.gov/legis/laws/mgl/44-55a.htm>

Debt

The treasurer's responsibilities also include a major role in the issuance of debt. Debt instruments must be signed by the treasurer. Upon the authorization of long-term debt, the treasurer works with the district's financial advisor, bond counsel, and other local officials to prepare for the sale. The treasurer negotiates borrowings, prepares the necessary documents and notes, and reports to the Department of Revenue, Director of Accounts on all debt issued.

Districts borrow money for a variety of purposes such as satisfying cash flow needs, financing the acquisition of capital assets, and paying for construction and repair of infrastructure. State law strictly regulates both the purposes for which districts can borrow and the time periods for which these borrowings can occur. Borrowing purposes and maximum loan durations are set out in MGL Chapter 44 Sections 7 & 8. Districts may incur both short-term and long-term debt. They generally make short-term borrowings for periods of one year or less, often in anticipation of a particular municipal revenue source.

Issuing debt requires an affirmative vote by the school committee. Temporary loans require a majority vote and longer-term borrowing, a two-thirds vote. For long term debt, member communities must also vote to authorize the district to incur debt. The treasurer shall issue bonds and notes in the name and upon the full faith and credit of said district; said bonds or notes shall be signed by the chairman and treasurer of the district school committee.

LINKS

Authority to incur debt:

MGL Chapter 71, Section 16 (e), Issuing bonds and notes

<http://www.mass.gov/legis/laws/mgl/71-16.htm>

MGL Chapter 44, Section 7, Cities and towns; purposes for borrowing money within debt limit

<http://www.mass.gov/legis/laws/mgl/44-7.htm>

MGL Chapter 44, Section 8, Cities and towns; purposes for borrowing money outside debt limit

<http://www.mass.gov/legis/laws/mgl/44-8.htm>

MGL Chapter 44, Section 9, Districts; right to borrow money; purposes; amount

<http://www.mass.gov/legis/laws/mgl/44-9.htm>

Information on issuance and form of notes and bonds:

MGL Chapter 44, Section 16, Issuance; procedure; form; contracts with banking or financial institutions

<http://www.mass.gov/legis/laws/mgl/44-16.htm>

MGL Chapter 44, Section 17, Temporary loans; refund; repayment

<http://www.mass.gov/legis/laws/mgl/44-17.htm>

MGL Chapter 44, Section 18, Discount of notes

<http://www.mass.gov/legis/laws/mgl/44-18.htm>

MGL Chapter 44, Section 19, Issuance of notes payable on demand forbidden; procedure for repaying debts; consolidated municipal purpose loans; repayment schedule for approved school project loans

<http://www.mass.gov/legis/laws/mgl/44-19.htm>

MGL Chapter 44, Section 20, Proceeds from sale of bonds; restrictions on use; disposition of premiums

<http://www.mass.gov/legis/laws/mgl/44-20.htm>

Long-term Debt

Long-term debt involves loans with a maturity date of 12 months or more. It is issued using an instrument called a bond, which is a written document containing an express promise of the bond issuer to repay a specified sum of money, alternately referred to as the face value, par value or bond principal, to the buyer of the bond on a specified future date, called the maturity date, together with periodic interest at a specified rate.

MGL Chapter 44 sets out strict rules and procedures regarding municipal borrowing. The issuance of long-term debt always requires a 2/3 vote of the school committee, followed by a 2/3 vote of member districts (unanimous in a two-town district).

The Bureau of Accounts (BOA) of the Department of Revenue (DOR) possesses jurisdiction and responsibility to monitor and maintain records of municipal indebtedness. On or about July 1st of every year, BOA's Director of Accounts sends to each community a form called Statement of Indebtedness, which the district must fill out and return to the bureau. Furthermore, upon a district's authorizing debt, the clerk must notify BOA by furnishing the Director with a copy of the vote within 48 hours after the vote becomes effective.

Once debt has been properly authorized by legislative authority and all other legal requirements have been met, the municipal treasurer must prepare and sign the notes or bonds. The chairman of the school committee must sign debt instruments for regional school district borrowings.

Short-term Debt

The short-term debt instrument is called a "note," which is a written document containing an express promise of the signer to pay a definite sum of money at a specified time, not more than a year from the execution of the note. Notes are categorized according to the purpose for which they are issued. For example, notes issued in anticipation of the receipt of operating revenues are called Revenue Anticipation Notes (RANs) and notes issued in anticipation of bond proceeds are called Bond Anticipation Notes (BANs).

BANs may be fully repaid when the long-term debt is issued. Prepayment of BANS extinguishes the borrowing authority. BANs may also be issued when the total amount of a bond issue is not needed immediately or when the long-term issue is intended to include several different projects that have different startup dates and construction schedules. Sometimes BANs are issued when bond interest is high, postponing the bond issuance until a more favorable time.

MGL Chapter 44, Section 4, permits districts to incur short-term debt, Revenue Anticipation Notes (RANs), in any fiscal year in anticipation of current revenues of that fiscal year. Such borrowing requires approval of the school committee and the school committee chairperson must countersign the notes. For a district, the borrowing cannot exceed the district's aggregate receipts in the year preceding that for which the debt is incurred. The aggregate amount borrowed by a district must be approved by the Director of Accounts or bond counsel and must be shown on an estimated cash flow statement prepared on a form approved by the Director. Borrowings for periods less than one year may be renewed, so long as the total term does not exceed one year from the date of the original borrowing. Revenue Anticipation Notes must be paid within one year of their issue date; however, payment may span two separate fiscal years.

Treasurers may borrow on or after July 1st of any fiscal year that their cash flow analysis indicates a need for borrowing. To determine whether a need exists, treasurers should analyze monthly operating cash receipts for the preceding one or two years, the comparative expenditures made during those years and the anticipated disbursements for the subject year.

If this analysis indicates the likelihood of a cash deficit at any time during the fiscal year, the treasurer may initiate a revenue anticipation borrowing. The treasurer can borrow the projected net cash shortfall prior to the expected receipt of revenue for the fiscal year. The treasurer can also borrow a larger amount in order to provide a cash reserve to counteract any reduction or tardiness in anticipated receipts or to advance payments for the acquisition of capital equipment funded by an appropriation. The treasurer should update the cash flow statement at least monthly and be continually on the lookout for any extraordinary payments that could transform cash flow projections.

Treasurers must be aware when making municipal borrowings that the federal arbitrage laws, set out in §103 of the IRS Code, restrict the investment of tax exempt bond and note proceeds in higher yielding, taxable securities and requires that certain earnings on such notes and bonds be paid to the IRS. Treasurers may not borrow in anticipation of revenue if other revenue funds are invested.

The treasurer should fix the due date of revenue anticipation borrowing to occur shortly after the revenue is to be received.

Issues Relating to Revenue Anticipation Borrowings:

1. Regional school district treasurers must obtain authorization from their school committees for such borrowings. They should acquire this authority early in the fiscal year to avoid last minute crises.
2. The total amount of each borrowing should not exceed the amount reasonably required and should be substantiated by a cash flow projection.
3. Since the federal government has established strict arbitrage laws and regulations relating to the amount of tax-free interest a local governmental entity can earn on investments of notes and bonds proceeds, the treasurer should regularly consult with the municipality's financial advisor and bond counsel to make certain that municipal borrowings do not contravene these laws and regulations.

LINKS

Provisions relative to state house notes:

MGL Chapter 44, Section 23, Forms for notes

<http://www.mass.gov/legis/laws/mgl/44-23.htm>

MGL Chapter 44, Section 24, Authentication; certification

<http://www.mass.gov/legis/laws/mgl/44-24.htm>

MGL Chapter 44, Section 25, Payments; notice to director of accounts

<http://www.mass.gov/legis/laws/mgl/44-25.htm>

MGL Chapter 44, Section 26, Fees for certification

<http://www.mass.gov/legis/laws/mgl/44-26.htm>

MGL Chapter 44, Section 27, Certification; evidence of liability

<http://www.mass.gov/legis/laws/mgl/44-27.htm>

MGL Chapter 44, Section 28, Report to director of accounts required

<http://www.mass.gov/legis/laws/mgl/44-28.htm>

Provisions for Revenue and Grant Anticipation Notes (RAN's):

MGL Chapter 44, Section 4, Temporary loans in anticipation of revenue; conditions; limitations

<http://www.mass.gov/legis/laws/mgl/44-4.htm>

MGL Chapter 44, Section 6A, Power to borrow in anticipation of reimbursement by commonwealth

<http://www.mass.gov/legis/laws/mgl/44-6a.htm>

TEMPLATE

Cash Flow Statement for State House Notes (Word)

http://www.masbo.org/RSD/CashFlowStatement_StateHouseNotes.doc

Bond Ratings

In order to successfully market bonds, an issuer should seek a bond rating on the issue. Through bond ratings, investors, purchasers, underwriters, traders and sellers gauge the relative credit worthiness of municipal bonds. Bond ratings are established by independent, private, rating agencies and reflect the rating agency's judgment as to a community's capacity and willingness to pay interest and principal in a timely fashion. Ratings have a significant effect on the cost of borrowing; indeed, investors will generally accept a lower interest rate for bonds issued by a higher-rated community. The ratings range from Aaa (AAA) to C. The highest four rating categories (Aaa, Aa, A, and Baa by Moody's Investors Service, or AAA, AA, A, and BBB by Standard and Poor's) are considered "investment grade." Institutional investors, such as banks and fiduciaries, are often legally prohibited from purchasing bonds that do not have an investment grade rating.

The three major rating agencies are Moody's Investors Service, Standard and Poor's Corporation, and Fitch. Having two rating agencies rate the bond issue gives two perspectives, which can often enhance the view of the community's credit worthiness. Securing one or more bond rating is well worth the cost, except for very small issues.

Statement of Indebtedness

Massachusetts General Laws Chapter 44, Section 28, requires the Director of Accounts to maintain complete and accurate records of indebtedness incurred by districts. This statute also requires treasurers to furnish any other information requested by the Director with respect to the authorization and issuance of loans. This statement is the annual report required from treasurers to accomplish this purpose.

Treasurers should reconcile their debt records with the accountant before filing the Statement of Indebtedness to ensure that the statement and balance sheet are in agreement. The statement has specific sub-categories for the most common borrowing purposes. Treasurers should use the most specific category available to report all outstanding debt. When a specific

category is not applicable the “Other Inside” category may be used. Please note that the “inside” category refer to the debt limit. Regional school districts do not have a debt limit; therefore, all debt issued would be considered inside the debt limit.

TEMPLATES

Statement of Indebtedness Instructions (PDF)

<http://www.masbo.org/RSD/StatementOfIndebtednessInstructions.pdf>

Statement of Indebtedness Template (Excel)

<http://www.masbo.org/RSD/StatementOfIndebtedness.xls>

Cash Management

The treasurer must determine the cash needs of the district and ensure that sufficient funds are available to pay current obligations. All money not required for disbursement must be invested by the treasurer at the highest possible interest rate available, taking into account safety, liquidity and yield.

Cash management encompasses all activities necessary to maintain adequate levels of cash to meet operational and capital requirements and to obtain the maximum yield on short-term investments of pooled, idle cash. A good cash management program is a very significant component of the overall financial management of a regional school district. Such a program benefits the district by increasing non-taxpayer based revenues, improving the control and superintendence of cash, increasing contacts with members of the financial community and lowering borrowing costs, while at the same time maintaining the safety of the district’s funds. In order to reach these primary goals, a treasurer should strive to:

- Develop strong internal controls over cash receipts and disbursements;
- Establish procedures for collecting outstanding accounts receivable;
- Establish clear lines of communication; and
- Develop solid professional relationships with local bankers and other members of the investment community.

LINK

MGL Chapter 44, Section 55B, Investment of public funds

<http://www.mass.gov/legis/laws/mgl/44-55b.htm>

Bank Relations

The treasurer should strive to be constantly aware of the range of services available from area banks. Since bank service charges and investment rates vary, the treasurer should regularly evaluate the charges and interest rates of the banks used by the district to insure that they best serve the interests of the district. When selling bonds or notes, the treasurer should endeavor to receive a sufficient number of bids to ensure competitive rates for the borrowed funds. Whether borrowing or investing monies, the treasurer should solicit bids from at least three area banks.

The treasurer should critically review bank statements for treasury checking accounts and should funnel all activity into one account when possible. Also, the treasurer should utilize a uniform system of forms and procedures for all collection, deposit, and disbursement activities (AD 9&10 form, cash book, transfer forms & book, etc.).

MGL Chapter 44, Section 53F, expressly permits a district treasurer to enter into a formal “compensating balance” agreement with a banking institution, so long as the agreement complies with the following requirements.

1. The agreement may include only those types of services prescribed by the Commissioner of Revenue
2. Each agreement must include the total amount that must be required to be on deposit at all times and, if this amount may vary from time to time, the agreement must specify a minimum total amount that must be on deposit at any time

3. The agreement must be approved by the school committee
4. The treasurer must submit a compensating balance report to the Commissioner of Revenue

LINK

MGL Chapter 44, Section 53F, Deposits of public funds in banking institutions in return for banking services
<http://www.mass.gov/legis/laws/mgl/44-53f.htm>

Cash Flow Statements

As a component of implementing an effective cash management program, the treasurer must prepare a cash flow statement, also called a cash budget. Properly preparing the cash budget will show you how cash flows in and out of the school district and will enable you to plan your short-term investment and borrowing needs. Cash budgeting involves estimating cash receipts and cash disbursements to determine cash availability. A treasurer can best identify the district's major cash items by examining an annual budget, payment and collection records, and past cash flow patterns.

At a minimum, a treasurer should prepare cash flow data on a monthly or quarterly basis (depending on the size of the district) for the current year.

The treasurer should prepare cash flow summaries using two basic categories of inflows and outflows of cash, recurring and extraordinary. Recurring payments and receipts, such as payroll expenses and assessment collections, can be anticipated regularly, month by month or quarterly. Extraordinary payments and receipts, on the other hand, result from nonrecurring programs or items, such as capital expenditures or federal grant receipts.

The treasurer should use the history of major collections and disbursements for the previous three to five years to identify recurring expense and disbursement patterns. The treasurer should then extrapolate these past trends into the future, being careful, at the same time, to make adjustments for anticipated changes in timing and payment patterns and to recognize when particular historical data is not representative of current conditions.

Analyzing the district's current operating budget, looking particularly for the percentage increase in payroll and in other expenditures, for changes in seasonal spending patterns and for adjustments caused by the addition or deletion of programs, will provide crucial information for preparing a cash flow analysis. Also, examining the capital budget and communicating with the school business administrator (SBA) will assist in making projections concerning special cash flow items.

Because cash availability is the fundamental concern of cash management, some treasurers are very conservative in estimating receipts of funds and liberal in estimating disbursements when they prepare a cash budget. For instance, they might budget a receipt expected to be taken in at the end of a month as being received the following month. Certainly, it is better to err on the conservative side. Notwithstanding, accuracy is critical in estimating and managing a district's cash.

The treasurer can maximize the amount of a district's available cash by accelerating cash receipts. A treasurer can increase the available cash amount by:

- Making daily deposits.
- Receiving wire transfers of state aid.
- Applying promptly for reimbursement of state/federal grant funds.
- Utilizing direct deposits, Automated Clearing House payments, and other electronic means of transferring funds whenever possible, making sure that the appropriate safeguards are in effect.

The treasurer should require district departments with large cash receipts to make frequent deposits directly into an account specified by the treasurer, providing the treasurer with a written notice of each deposit, together with the deposit receipt provided by the bank. This practice will result not only in an earlier deposit of the funds, but also in a more accurate deposit record since the bank will check the accuracy of the deposit slip.

The treasurer should ensure that checks for large amounts are deposited immediately.

The treasurer can also improve cash flow by working with the SBA to schedule certain cash disbursements. For example, if a district has appropriated money to buy a school bus, the treasurer should encourage the SBA to include language in the terms and conditions of the bid that specify when the payment(s) will be made so that, ideally, they coincide with times when cash levels are high. Such planning minimizes the need for revenue anticipation borrowing.

When possible, the treasurer should first pay bills that offer discounts, postponing the payments of other bills until the due date. Also, when market conditions permit, the treasurer should schedule the issuance of debt to make the payment due dates coincide with times when the district's cash revenues are at their maximums. The treasurer should request regular reports of project payment schedules from the SBA, permitting the treasurer to obtain maximum earnings on project funds.

TEMPLATE

Cash Flow Budget Template (Excel)

<http://www.masbo.org/RSD/CashFlowBudgetTemplate.xls>

Investing

MGL Chapter 44, Section 55B, obligates the treasurer to invest all monies not required for current operations so as to receive the highest rate of return reasonably available, taking into account safety, liquidity and yield. To maximize interest income, the treasurer must determine how much money is available to invest by answering the following questions:

- How much cash is on hand?
- How much money is needed to meet weekly or monthly warrants?
- How much money will be deposited weekly or monthly?

The treasurer should use the answers to these questions as a basis for planning investments. The cash flow budget will permit the treasurer to determine the length of time for which particular funds can remain in investments.

The Yield Curve

The cost of money varies according to the length of time for which it is borrowed or loaned. Generally, longer time periods are deemed to have a greater risk associated with them and thus command higher interest rates. This phenomenon, of course, favors a district when making long-term investments and disfavors the community when making long-term borrowings. Accordingly, treasurers should use cash flow budgets to design investments for the longest reasonable periods in order to obtain the highest yields on these investments.

Types of Investments

An investment is a placement or commitment of money or capital in a way intended to gain profit or interest, as by purchasing property, securities or bonds. As noted above, treasurers are compelled by MGL Chapter 44, Section 55B, to invest "all monies...not required to be kept liquid for purposes of distribution...in such a manner as to require the payment of interest on the money at the highest possible rate reasonably available, taking account of safety, liquidity, and yield." Liquidity is the quality of being readily convertible into cash without substantial transaction costs. Security is the quality of assurance that the investment expectation will be fulfilled in a timely fashion. Yield is the measure of effective return on an investment, usually expressed as a percent.

Some districts maintain written investment policies that serve as guidelines in investing short-term funds. These policies delineate investment procedures and considerations and define levels of acceptable risk. Frequently, the policies identify the financial institutions that have satisfied the community's criteria for secure deposits. In addition, the policies generally include specific information about delegation of authority, internal controls, ethics, and conflict of interest.

Ultimately, the standard to which a treasurer is held in making investments is the "prudent person" standard. A treasurer should always remember to weigh the risk of financial loss when making district investments. When investing a district's money, the treasurer should carefully avoid high-risk or speculative investments, even if legally permitted.

MGL Chapter 44, Sections 54 & 55, identify the various institutions into which District funds may be deposited. A treasurer who deposits monies into these institutions will not be personally liable for any loss of money due to the failure of the institutions. (44:55A) Notwithstanding, a prudent treasurer must make certain that deposits and investments are sufficiently insured, adequately collateralized and invested in institutions that have been researched for stability and safety.

The FDIC insures deposits in FDIC-insured institutions. All types of deposits received by insured institutions in their usual course of business are insured up to \$250,000 per deposit, including savings deposits, checking deposits, deposits in NOW accounts and time deposits, including CDs. In the case of a bank failure, the FDIC insurance protects deposits that are payable in the U.S. The treasurer should communicate with the FDIC to determine whether separately named accounts are considered as separate deposits for the purposes of applying the \$250,000 limit.

In the past, a number of governmental entities incurred significant losses due to inadequately secured investments. In order to remedy this situation, the Governmental Accounting Standards Board (GASB) issued Statement 3, which requires governmental entities to disclose their policies regarding securitization and safekeeping for deposits and investments, including repurchase agreements, better enabling investors to assess the degree of risk more accurately. These disclosures must inform potential investors about situations in which a greater credit risk exists during the investment period, than appeared on the balance sheet date.

Districts should disclose the amount of their total bank balances that are:

- Insured or collateralized with securities held by the district or by an agent in the district's name.
- Collateralized with securities held by their financial institutions or by an agent in the district's name.
- Uncollateralized.

The carrying amount and the market value of investments should also be disclosed for each type of investment as of the balance sheet date. The disclosure should state the total amount of each type of investment and should categorize investments that are:

- Insured or registered or held by the district or its agent in the district's name.
- Uninsured or unregistered, with the securities held by the counterpart in the district's name.
- Uninsured or unregistered, with the securities held by the counterpart but not in the district's name.

LINKS

FDIC website

<http://www.fdic.gov>

MGL Chapter 44, Section 55A, Liability of depositor for losses due to bankruptcy

<http://www.mass.gov/legis/laws/mgl/44-55a.htm>

MGL Chapter 44, Section 55B, Investment of public funds

<http://www.mass.gov/legis/laws/mgl/44-55b.htm>

MGL Chapter 44, Section 54, Investment of trust funds

<http://www.mass.gov/legis/laws/mgl/44-54.htm>

MGL Chapter 44, Section 55, Public funds on deposit; limitations; investments

<http://www.mass.gov/legis/laws/mgl/44-55.htm>

Legal List of Investment Instruments

http://www.mass.gov/?pageID=ocaterminal&L=5&LO=Home&L1=Business&L2=Banking+Industry+Services&L3=Banking+Legal+Resources&L4=Laws+%26+Regulations&sid=Eoca&b=terminalcontent&f=dob_leglist&csid=Eoca

TEMPLATE

Legal Investment Matrix Summary (PDF)

<http://www.masbo.org/RSD/LegalInvestmentsMatrixSummary.pdf>

Certificates of Deposit

A Certificate of Deposit, generally known as a CD, is a written acknowledgement by a commercial bank, savings and loan institution or mutual savings bank containing a promise to pay interest at a specified rate for a fixed period of time for funds deposited in the institution. CDs provide a useful instrument for short-term investments, usually more than seven days. They are available in almost any denomination, although most have a minimum amount. The bank pays interest on the certificate's face value, and the interest accrues on a 360-day or 365-day basis. Rates vary depending on the length of time for which the certificates are issued, the amount of money deposited and the prevailing market rate. Rates also vary among banks, making it important for treasurers to obtain quotes from a number of banks before making a purchase.

Because monies are deposited in a CD for a fixed term, the instrument is not considered a liquid investment. A bank can legally refuse to return the money before the maturity date. If a bank allows redemption before the maturity date, the district must pay a substantial early withdrawal penalty. Accordingly, a treasurer should only purchase a CD when it is very probable that the district will not have to spend the money during the CD's fixed term.

On the other hand, if a district can afford to tie up money for a fixed period, a CD provides an effective vehicle for obtaining fixed interest rates for that period. Of course, timing the purchase of a CD is important since interest rates vary dramatically. The treasurer should strive to make the purchase when interest rates are high. The district will then continue to earn the high rate until the CD's maturity. On the other hand, if the treasurer purchases a CD when interest rates are low, the instrument will earn interest at the low rate.

U.S. Treasury Bills

Treasury bills are bearer obligations of the U.S. Government that are issued on a discount basis; that is, a purchaser buys the instruments at less than the face value and receives the face value upon redemption. The difference between the purchase price and the redemption price is the interest income. Treasury bills are backed by the full faith and credit of the U.S. Government and are considered the safest investment. Because of their relative safety and marketability, T-Bills, as they are called, generally provide lower yields than do comparable short-term investments.

Repurchase Agreement

A repurchase agreement, also known as a "repo" or a "buyback," is a contract that requires a seller of securities, most often treasury securities, to buy the investment back in the future at a designated time and price. An advantage of this investment vehicle is the flexibility of its maturity. A repo may be sold for a fixed period of time, on demand, or renewable on a day-to-day basis.

The authority of a district treasurer to invest in repurchase agreements is set out in MGL Chapter 44, Section 55. This statute permits the treasurer to invest in "obligations issued or unconditionally guaranteed by the United States government or any agency thereof and having a maturity from date of purchase of one year or less; or in United States government securities or securities of United States government agencies purchased under an agreement with a trust company, national bank or banking company to repurchase at not less than the original purchase price of said securities on a fixed date, not to exceed ninety days."

However, while repos offer flexibility in maturity dates, they are not without risk. In the past, some banks have used the same security for several, simultaneous repurchase agreements. Accordingly, when investing in a repo, the treasurer should make certain to take possession of the underlying security or to receive written notification of the transaction from a third-party trustee who holds the security on behalf of the district. In this way, the district will be protected in the case of a bank default.

Money Market Deposit Accounts (MMDAs)

A money market account is a savings account that shares some of the characteristics of a money market fund, a mutual fund that invests solely in short-term securities. These accounts, like other saving accounts, are insured by the federal government up to \$100,000.

Banks generally place restrictions on money market accounts. The restrictions usually include:

- A minimum daily balance requirement, with an interest rate reduction if the balance falls below this minimum.
- A limit on the number of withdrawals, such as 6 per month with a maximum of 3 checks. Under such a limit, a depositor could, for example, write 3 checks and make 3 withdrawal transfers in a month. Alternatively, the depositor might write 2 checks and make 4 withdrawal transfers and two checks, etc.

MMDA accounts provide an ideal investment vehicle to obtain moderate yields while keeping funds liquid. Every district should have at least one money market account. It is up to the treasurer to determine how much money should be kept in such accounts.

Massachusetts District Depository Trust

MGL Chapter 29, Section 38A, authorizes the state treasurer to establish, with the advice of an investment advisory council, one or more combined investment funds and to sell participation units to local governments. Under this authority, the state treasurer has established the Massachusetts District Depository Trust (MMDT), a professionally managed investment pool. The trust manager invests in money market securities, such as CDs, T-Bills, repos and commercial papers. Participants purchase shares in the pool by depositing funds. Under the rules and regulations adopted by the state treasurer, no minimums exist regarding either the amounts deposited or the length of time monies may remain on deposit. Rates are subject to fluctuation and are not guaranteed. Monies deposited in the MMDT are liquid, i.e., they may be accessed at any time.

U.S. Government Agency Obligations

Agency obligations, also referred to as “agency securities” are debt instruments issued by government agencies to fund loans to particular groups of borrowers, such as students, farmers and homebuyers. Agency obligations include the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), the Federal Home Loan Bank System (FHLB), the Federal Farm Credit Bank (FFCB), and the Student Loan Marketing Association (Sallie Mae). Agency obligations generally yield high credit ratings because of their association with the federal government; however, they are not government obligations backed by the full faith and credit of the U.S. Government. Accordingly, agency obligations are slightly riskier than Treasuries, but they also have the potential for higher earnings.

Secondary Markets

Primary markets allow investors to bid directly for the purchase of securities with issuers and, as a result, tend to provide more favorable prices. Secondary markets permit investors to purchase securities at other times than their issuance dates or to sell securities prior to their maturity dates.

General economic conditions affect interest rates, which in turn determine the market behavior of securities in both primary and secondary markets. Confidence in a particular security can also affect its behavior. Confidence is determined by an investor’s perception of the financial health of an institution or the collateral behind a security. It tends to be most important in determining the strength and activity of a security in the secondary market. For instance, Treasury Bills are always very active in both primary and secondary markets because they are backed by the U.S. Government. Understanding how markets behave under a variety of conditions and gaining a feel for how various securities will be affected is a skill acquired through day-to-day experience, as well as by a study of the characteristics of securities.

Mutual Fund Money Market Accounts

MGL Chapter 44, Section 55, also permits Districts to invest in money market funds managed by mutual fund companies. The underlying securities of the funds must be within the guidelines approved by the Commonwealth, similar to securities that would appear on the “legal list” of investments. The statute limits investment to those money market funds that have received the highest possible rating from at least one nationally recognized statistical rating organization.

Investment-Related Matters

Districts borrow for a variety of reasons, such as to fund temporary cash needs and to finance construction. The investment of borrowed funds is heavily regulated by federal arbitrage laws. Accordingly, the treasurer should work closely with bond

counsel to determine the status of existing and proposed federal laws and regulations relating to arbitrage before the district effects a borrowing.

A useful resource for treasurers is a “Time Teller Calendar” that computes, at a glance, interest, elapsed time, and maturity dates on notes. Some banks will provide this resource to treasurers. For each day of the year, the calendar exhibits the number of days from that day to any other day in the next nine months.

Every treasurer should keep records of all investments. While the treasurer can design the forms to use for this process, these forms must make it possible to record all the necessary information to provide an accurate picture of each transaction.

A treasurer must observe the limitations on deposits in any one bank, set out in MGL Chapter 44, Section 55. This statute specifies that a district may not at any one time have on deposit in a bank or trust company an amount exceeding 60% of the capital and surplus of that institution and that the total of all the district’s accounts may not exceed 60% of the bank’s net equity.

MGL Chapter 44, Section 55A, absolves treasurers of any personal liability if they, in good faith and in the exercise of due care, deposit public money in the MMDT or in a Massachusetts-organized savings bank, trust company or FDIC banking company and a loss results from the closing up of the depository or from the liquidation of its affairs. This statute does not, however, absolve from liability a treasurer who invests public funds in a non-FDIC bank outside of Massachusetts.

Budget and Appropriations

MGL Chapter 16B outlines the process for the approval of a regional school district budget. The district also considers the mandates of the regional agreement between the towns and the district. In all cases, the laws of the Commonwealth supersede that of any other agreement. However, in some cases the school district has agreed to a stricter standard than that provided for by law. The State mandate also affirms that the School Committee must determine the amount of money needed to operate the district and must apportion the amounts to the municipalities, according to the terms of the regional agreement. An important component of the budgeting process which limits the amount of available funds for the member communities is tax limiting legislation, usually referred to as Proposition 2½.

Proposition 2½ limits the amount of revenue a city or town may raise from local property taxes each year to fund municipal operations. Communities must seek voter approval to raise additional funds beyond Proposition 2½ limits. Since regional school districts do not directly tax citizens, the function of Proposition 2½ is limited to the member communities of a district. These member communities may have to rely on such a funding source to fund regional school assessments or capital projects

The law requires that a community cannot levy more than 2.5 percent of the value of all taxable property in the community, which is known as the levy ceiling. Furthermore, the amount of the total levy for a fiscal year, known as the levy limit, cannot increase by more than 2.5 percent of the maximum allowable limit of the prior year, plus certain allowable increases such as new growth from property added to the tax rolls.

Proposition 2½ establishes two types of voter-approved exceptions in taxing authority:

Overrides: A levy limit override increases the amount of property tax revenue a community may raise in the year, as specified in the override proposal for that year and in future years. The result is a permanent increase in taxing authority. The purpose of the override is to provide funding for municipal expenses likely to recur or continue into the future, such as annual operating and fixed costs.

Exclusions: An exclusion increases the amount of property tax revenue a community may raise for a limited or temporary period of time in order to fund specific projects. It temporarily increases the community's levy limit but does not become part of the base for calculating future years' levy limits. The exclusion may be used to raise additional funds only for capital purposes, such as public building, public works projects, land, and equipment acquisitions.

LINKS

MGL Chapter 59, Section 21C, Limitations on Total Taxes Assessed
<http://www.mass.gov/legis/laws/mgl/59-21c.htm>

Levy Limits: A Primer on Proposition 2½
<http://www.mass.gov/Ador/docs/dls/publ/misc/levylimits.pdf>

Budget Preparation

The regional district school committee, by a two-thirds vote, shall adopt a budget containing all proposed operating expenditures, capital expenditures and debt service payments to be paid from general revenues of the regional school district.

The budget shall identify each separate revenue source, including aid received by the district through the state, and the amount estimated for each revenue source. Grant, revolving and trust funds should not be included in the budget, but pertinent information about them should be provided to the member municipalities for informational purposes.

The budget shall specify whether members' assessments are calculated pursuant to the statutory assessment method or the alternative/agreement assessment method; and shall specify the total amounts to be assessed to the members for the support of the budget.

The budget shall be classified into such line items as the regional school committee shall determine, provided that such line items shall be consistent with, but need not be to the same level of detail as, the chart of accounts required for the end of year reporting of expenditures.

The following timetable sets forth the normal schedule of budget votes and approvals.

Establishes/Controls Budget	Massachusetts General Laws
Budget Adoption Votes	$\frac{2}{3}$ of School Committee
Adoption Deadline	April 30th
Assessment to Towns/Cities	30 Days after Adoption
Approval of Budget by Towns/Cities	Favorable Action by $\frac{2}{3}$ of Towns/ Cities
Date Towns/Cities must Act	By June 30th

LINKS

GL Chapter 71, Section 16B

<http://www.mass.gov/legis/laws/mgl/71-16b.htm>

603 CMR 10.03

<http://www.doe.mass.edu/lawsregs/603cmr10.html?section=03>

DESE Chart of Accounts

<http://finance1.doe.mass.edu/account/ChartOfAccounts.doc>

Member Assessment Calculation

The amounts apportioned for each municipality shall be certified by the regional school district treasurer to the treasurers of the member municipalities within thirty days from the date on which the annual budget is adopted by the regional district school committee but not later than April 30th.

Two methodologies are available to regional school districts for calculating assessments to member municipalities. The methodologies are defined in CMR 41.0 I and in Guidance for Regional School Districts.

1. **Statutory Assessment methodology:** the calculation of members' assessments pursuant to the provisions of MGL Chapter 70 Section 6. Each such assessment shall be the sum of the following amounts:
 - a. the member's required local contribution to the regional school district as determined by the Commissioner;
 - b. the member's share of that portion of the regional school district's net school spending, as defined by MGL Chapter 70, Section 2, that exceeds the total required local contribution for all members this share to be allocated pursuant to the assessment provisions of the regional agreement; and
 - c. the member's share of costs for transportation, capital project debt service, other capital costs, and all other expenditures not included in the regional school district's net school spending, this share to be allocated pursuant to the assessment provisions of the regional agreement.
2. **Alternative (Agreement) Assessment methodology:** As designed within the confines of the regional agreement document and permissible per 603 CMR 41.05, 2(a).

LINK

MGL Chapter 71, Section 16B

<http://www.mass.gov/legis/laws/mgl/71-16b.htm>

Approval of Local Appropriating Authorities

The annual regional school district budget shall require the approval of two-thirds of the local appropriating authorities of the member municipalities.

If the alternative/agreement method is used to calculate the member town assessments, a unanimous approval of all the members is required. The approval may be given by a separate vote of the appropriating authority, or if a separate vote is not taken, unanimous approval of a budget or assessment based on the alternative/agreement method shall be deemed approval of the method.

A vote by the local appropriating authority to appropriate the member's assessment shall constitute approval of the regional school district budget.

LINKS

MGL Chapter 70 Section 2

<http://www.mass.gov/legis/laws/mgl/70-2.htm>

MGL Chapter 70 Section 6

<http://www.mass.gov/legis/laws/mgl/70-6.htm>

603 CMR 41.00

<http://www.doe.mass.edu/lawsregs/603cmr41.html?section=all>

DESE Regional Guidance

http://finance1.doe.mass.edu/regional/reg_guidance.doc

Failure to Approve a Budget

In the event that the regional school district budget is not approved by at least two-thirds of the member municipalities, the regional district school committee shall have thirty days to reconsider, amend and resubmit a budget.

With the approval of the Commissioner, a regional district school committee may have a further fifteen days within which to reconsider, amend and reapportion the budget. The budget shall be reapportioned between or among the member municipalities and a copy of the amended budget shall be provided to the chairmen of the board of selectmen, chairmen of the finance committees, mayors, presidents of the city councils and treasurers of the member municipalities not later than seven days from the date the amended budget was adopted by the school committee.

LINK

603 CMR 41.05 (4)

<http://www.doe.mass.edu/lawsregs/603cmr41.html?section=05>

Approval of Reconsidered Budget by Local Appropriating Authorities

Prior to the expiration of forty-five days from the date on which such budget was adopted by the regional district school committee, each member municipality shall hold a meeting of the local appropriating authority to act upon the appropriation of the budget.

- If two-thirds of the member municipalities vote to appropriate the amounts so reapportioned and recertified to them under the statutory method, such budget shall be considered approved.
- If the member municipalities unanimously vote to appropriate the amounts so reapportioned and recertified to them under the agreement/alternative method, such budget shall be considered approved.
- If a local appropriating authority does not vote on the revised budget within the 45-day period that member shall be deemed to have approved the revised budget.

In a district having three or more members, if two-thirds of the member municipalities do not vote to appropriate the amounts so reapportioned and recertified to them, then the budget shall again be recommitted to the regional district school committee for action

In the case of a two-member regional school district, if the appropriating authority of either member votes not to appropriate the amount so reapportioned and recertified to it, the regional district school committee shall convene a district-wide meeting at which the revised budget and assessments shall be placed before all voters eligible to vote. A district-wide meeting shall only consider budgets based on the statutory assessment method. Notice of such meeting must be given at least fourteen days prior to the date of such meeting.

Approval of the regional school district budget shall require the affirmative vote of at least a majority of those present and voting thereon, by a counted vote. If a majority of voters at this meeting votes to approve a greater or lesser amount for the budget, such amount shall be placed before the regional school committee for its ratification. If the regional school committee by a two-thirds vote ratifies this amount, it shall constitute approval. If the regional school committee rejects such greater or lesser amount, it shall again reconsider, amend, and adopt a revised budget and shall reconvene a district-wide meeting.

LINK

603 CMR 41.05 (4)

<http://www.doe.mass.edu/lawsregs/603cmr41.html?section=05>

1/12th Budget

If the operating budget for a regional school district has not been approved by July first, the superintendent of schools shall notify the Commissioner. The Commissioner shall establish an interim monthly budget for the regional school district and certify an amount sufficient for the operation of the district which shall be one-twelfth of the regional school district's budget for the prior fiscal year or such higher amount as the Commissioner may determine. The treasurer of the regional school district shall calculate and certify to the member municipalities their respective assessments.

The interim monthly budget shall remain in effect until an operating budget is approved pursuant to 603 CMR 41.05(3) or December first, whichever comes earlier.

LINK

603 CMR 41.05 (4)

<http://www.doe.mass.edu/lawsregs/603cmr41.html?section=05>

State Fiscal Control

In the event a budget is not adopted by December first in any year, the Commissioner shall assume fiscal control of the regional school district and shall establish the final budget for the fiscal year. Budget materials and recommendations from the district and member municipalities will be solicited prior to the December deadline.

The Commissioner's control continues until the end of the fiscal year or until the member municipalities have approved a budget for the subsequent fiscal year, whichever is later.

Certain fiscal actions taken by the superintendent or school committee are subject to the Commissioner's written authorization.

- Adoption or reconsideration of the district budget
- Transfer of budgetary authority between line items
- Encumbrance or expenditure of funds not included in the general fund budget
- Borrowing
- Execution of new or amended collective bargaining agreements.
- Execution of new contracts, or amendments to existing contracts, with a value of \$25,000 or more
- Establishment, increase, or decrease of user fees
- The Commissioner may impound any unencumbered funds for such period of time as he determines
- The Commissioner may undertake any initiatives that he deems necessary to secure the financial stability of the district
- The Commissioner may designate a person to act on his behalf with respect to his responsibilities under 603 CMR 41.07

LINKS

M.G.L. c.71, §16B

<http://www.mass.gov/legis/laws/mgl/71-16b.htm>

603 CMR 41.07

<http://www.doe.mass.edu/lawsregs/603cmr41.html?section=07>

Amendments to Budgets

A regional school committee may propose, with a two-thirds vote, an amendment to a previously approved budget. If such amendment results in an increase in the total amount of the budget or an increase in assessment for any member, such amendment shall be submitted to the local appropriating authorities for their approval.

The treasurer of the regional school district shall submit the proposed amendment to the member municipalities within 7 days from the date of the regional school committee vote. The local appropriating authority of every member shall have 45 days from the date of the regional school committee's vote to meet and consider the amendment. The proposed amendment shall be effective if it is approved by two-thirds of the local appropriating authorities and by the local appropriating authority of any member whose assessment is increased.

If a local appropriating authority does not vote on the proposed amendment within the 45-day period and that local appropriating authority has previously appropriated funds for its assessment in an amount greater than or equal to the member's assessment for the amended budget, that member shall be deemed to have approved the amended budget.

If a proposed amendment to a previously approved budget does not increase the total amount of the budget and reduces or leaves unchanged the assessment for every member, the amendment shall not require approval by the local appropriating authorities and shall be effective upon a two-thirds vote of the regional school committee.

If the Commissioner adjusts the required local contribution of any member(s) subsequent to the approval of the budget, the regional school committee shall propose an amendment to the budget to reflect such adjustment(s). Whenever a member's assessment is reduced to a smaller amount than previously appropriated by the local appropriating authority, the appropriation shall automatically be deemed to be reduced to such lesser amount.

Transfers from one budget line item to another shall require and be effective upon approval of the regional school committee by majority vote unless otherwise specified in the regional agreement. Authority for such transfers may not be delegated.

LINKS

M.G.L. c.71, §16B

<http://www.mass.gov/legis/laws/mgl/71-16b.htm>

603 CMR 41.05 (5)

<http://www.doe.mass.edu/lawsregs/603cmr41.html?section=05>

DESE Regional Guidance

http://finance1.doe.mass.edu/regional/reg_guidance.doc

Payroll and Human Resources

Payroll and benefits represent the largest portion of a school district budget. As such, all schools must process payroll, authorize changes, and reconcile expenses. The most significant differences for regional schools are the requirements associated with adherence, administration, and reporting necessary for regulatory compliance. In addition to payroll tax liability, regional school districts are responsible for procuring and administering benefits.

Payroll Taxes, Wage Garnishment, W-2's/1099's, and Benefit Withholdings

Regional schools are responsible for withholding, paying, and reporting federal and state taxes, including forms W-2, W-4, 941, and 1099. It is important to note that the employer Medicare portion of FICA must be paid. Regional schools have the option of paying either the Social Security portion of FICA or they can opt into OBRA (see below) for part time or seasonal employees. Wage garnishments for non-payment of taxes, child support, non-payment of federal student loans, etc. must be withheld from employees' paychecks when mandated by the appropriate federal or state agency. Further, employees can participate in optional benefit programs that require payroll deductions.

LINKS

IRS – Tax information for governmental entities

<http://www.irs.gov/govt/index.html>

IRS – Online ordering, tax forms

<http://www.irs.gov/businesses/page/0,,id=23108,00.html>

Department of Labor – Recordkeeping for payroll, garnishments, FLSA, etc.

<http://www.dol.gov/dol/topic/wages/index.htm>

Social Security Numbers - Verification

<http://www.ssa.gov/employer/ssnv.htm>

Publication 15 – Employers Tax Guide

<http://www.irs.gov/pub/irs-pdf/p15.pdf>

Publication 15A – Employers Supplemental Tax Guide

<http://www.irs.gov/pub/irs-pdf/p15a.pdf>

Publication 15B – Employers Tax Guide for Fringe Benefits

<http://www.irs.gov/pub/irs-pdf/p15b.pdf>

State and County Retirement System (MTRB, RRB, OBRA)

Employees of regional school districts must enroll in a state, county or local retirement system, depending on their position. Teachers and administrative staff (those possessing state certification) – superintendent, principals, and other professionals who meet necessary enrollment requirements—must enroll in the Massachusetts Teachers' Retirement System (MTRS). Non-certified employees who are scheduled to work at least 20 hours a week are eligible for membership in the county (Essex, Middlesex, Worcester) or local retirement system. All other staff must enroll in the Massachusetts Smart Plan (OBRA). Both the MTRS and county retirement systems are qualified pension plans and are therefore subject to IRS regulations concerning such plans. The above mentioned state retirement plans take the place of Social Security (FICA) deductions.

LINKS

Massachusetts Teachers Retirement System
<http://www.mass.gov/mtrs>

Essex Regional Retirement Board
www.essexregional.com

Middlesex County Retirement System
www.middlesexretirement.org

Worcester Regional Retirement System
www.worcesterregionalretirement.org

Massachusetts Smart Plan (OBRA)
www.mass.gov/smartplan

Medicare Part D

Districts must file applications with the US Department of Health & Human Service's Center for Medicare and Medicaid Services (CMS) in order to be able to receive an employer subsidy for each retiree that is not enrolled in Medicare Part D. To be eligible for this, districts must substantiate that prescription benefits available to retirees under their group Medicare supplemental health plan are actuarially equivalent to or better than those offered under Medicare Part D.

Letters have to be sent to every retiree outlining their rights under Medicare Part D. If any Medicare beneficiary is enrolled in Medicare Part D, they have to be switched to a separate Medicare supplemental health plan.

This multi-step application process has to be filed each fiscal year. Once the application is approved by CMS, the eligible retiree list has to be updated any time there is change in the group Medicare supplemental health plan enrollment. Interim costs have to be filed, payment has to be requested, and payments have to be reconciled.

LINKS

Retiree Drug Subsidy Program
<http://www.rds.cms.hhs.gov/>

US Governments Official Medicare
<http://www.medicare.gov/MedicareReform/drugbenefit.asp>

Group Health, Dental, and Life Insurance Benefits

Regional school districts are responsible for approving, purchasing, and administering group insurance benefits in accordance with MGL Chapter 32B. First, Districts must adopt the law and then take affirmative action on each optional section as it deems suitable and appropriate. Second, the district must establish an insurance advisory committee (IAC) consisting of seven active employees and 1 retiree. Third, the District, through its CPO must negotiate with, and purchase, life, health, and dental insurance from providers.

LINK

MGL Chapter 32B, Group Insurance Statute
<http://www.mass.gov/legis/laws/mgl/gl-32b-toc.htm>

Massachusetts Health Care Act

Employers must annually submit Health Insurance Responsibility Disclosure (HIRD) information online to the Massachusetts Division of Health Care and Finance Policy. The online filing process is a very extensive multi-step process, including providing the;

- total hours for all employees who worked at least one month at any time during the 12-month base period,
- yearly average of the number of full-time employees who were enrolled in the district's employer-sponsored health insurance plan on the last day of EACH quarter,
- yearly average of the total number of full-time employees on your payroll on the last day of each calendar quarter,
- percentage of premium cost for coverage for each plan offered, and
- total number of employees with at least one month of service during the 12-month base period.

Furthermore, employers must annually obtain employee HIRD forms from any full-time equivalent employee who is not enrolled in the district's group health insurance.

LINKS

Employer Fair Share Contributions Self-Service Website
<https://fsc.detma.org/>

Employee Health Insurance Responsibility Disclosure Form 2008
http://www.mass.gov/Eeohhs2/docs/dhcfp/g/hcr/employee_hird_08.pdf

Health Insurance Portability and Accountability Act of 1996 (HIPAA)

The privacy provisions of the federal law, the Health Insurance Portability and Accountability Act of 1996 (HIPAA), apply to health information created or maintained by health care providers, health plans, and health care clearinghouses who engage in certain electronic transactions. HIPAA provides rights and protections for participants and beneficiaries in group health plans. HIPAA includes protections for coverage under group health plans that limit exclusions for pre-existing conditions; prohibit discrimination against employees and dependents based on their health status; and allow a special opportunity to enroll in a new plan to individuals in certain circumstances. Special enrollment notices must be sent to all new employees who are eligible for health insurance.

The Department of Health and Human Services (HHS) has issued the regulation, "Standards for Privacy of Individually Identifiable Health Information," applicable to entities covered by HIPAA. The Office for Civil Rights (OCR) is the Departmental component responsible for implementing and enforcing the privacy regulation.

LINKS

Office for Civil Rights – HIPAA
<http://www.hhs.gov/ocr/hipaa/links.html>

US Department of Labor – HIPAA
<http://www.dol.gov/dol/topic/health-plans/portability.htm>

Consolidated Omnibus Budget Reconciliation Act (COBRA)

The Consolidated Omnibus Budget Reconciliation Act (COBRA) gives workers and their families who lose their health benefits, the right to choose to continue group health benefits provided by their group health plan for limited periods of time under certain circumstances; such as voluntary or involuntary job loss, reduction in the hours worked, transition between jobs, death, divorce, and other life events. Qualified individuals may be required to pay the entire premium for coverage up to 102 percent of the cost to the plan.

COBRA requires that notices be sent as applicable:

1. Initial General Notification must be sent within 90 days of the start of coverage to everyone who has enrolled in health insurance
2. Special Enrollment Notice if employee waives group health insurance
3. Notice of Divorce or Dependent Ceasing to be a Child
4. Early Continuation Coverage Termination Notice
5. Termination / Conversion Notification

LINKS

US Department of Labor—COBRA

<http://www.dol.gov/dol/topic/health-plans/cobra.htm>

Unemployment

Regional school districts are responsible for adhering to, and administering all unemployment requirements. As a municipality, you have the option to decide how you will finance the payment of unemployment insurance benefits to your workers. Governmental entities may choose, in lieu of paying quarterly contributions, to reimburse the Division of Unemployment Assistance (DUA) only when benefits are actually paid to their former employees. For more information read section 7 of the Unemployment Insurance Law – Guide for Employers.

LINKS

MGL Chapter 151A, Massachusetts Unemployment Statute

<http://www.mass.gov/legis/laws/mgl/gl-151a-toc.htm>

Labor and Workforce Development

<http://www.mass.gov/?pageID=elwdhomepage&L=1&LO=Home&sid=Elwd>

Unemployment Insurance Law – Guide for Employers

http://www.mass.gov/Elwd/docs/dua/business/3534p_508.pdf

Workers' Compensation

Regional school districts are responsible for adhering to, and administering all Workers' Compensation requirements. Districts can choose to finance their workers' compensation costs by paying quarterly taxes, or pay dollar-for-dollar when claims are filed. Under the provisions of MGL Chapter 152 (workers' compensation statute), districts may opt to establish a trust fund to self-insure. They may also opt to join a larger trust such as MEGA (Massachusetts Education and Government Association Workers' Compensation Trust) or MIIA (Massachusetts Inter-local Insurance Association).

LINKS

MGL Chapter 152, Workers Compensation Statute

<http://www.mass.gov/legis/laws/mgl/gl-152-toc.htm>

Department of Industrial Accidents

<http://www.mass.gov/?pageID=elwdhomepage&L=1&L0=Home&sid=Elwd>

Massachusetts Workers' Compensation

http://www.workerscompensationinsurance.com/workers_compensation/massachusetts.htm

Collective Bargaining—Municipal Representative

Regional school districts are required to include one municipal representative on their collective bargaining negotiating team. The member is elected by either the chief executive officers or the chairs of the board of selectmen of the member towns.

LINKS

MGL Chapter 150E, Section 1, Labor Relations; Public Employers, Definitions

<http://www.mass.gov/legis/laws/mgl/150e-1.htm>

Other Support Services

Beyond the aforementioned financial management roles, there are several other operational areas that are worth mentioning. These roles are not unique to regional schools, but are significant in that they are taken on by the region as opposed to the roles traditionally held by unique and dedicated town departments. As such, there is a great deal of autonomy within the decisions to be made. However, within that autonomy lays the full responsibility for the processes which, in a municipal setting, would be supported by fully operational departments.

The purpose of this section is not to act as a full manual, but more as a quick reference. The web links provide a good deal of information and expand on the topics discussed in greater detail. Our intention is more to make you aware of other services and operations which may devolve to a regional district and to provide the governing laws so that administrators can research and gain a more comprehensive understanding.

Facilities

Buildings/Land

Under the Status, Powers, and Duties of Regional Schools found in MGL c.71, s.16, there are several notations regarding the unique responsibilities and rights of a region in relation to land and building ownership.

Following on the authority in MGL c.71, s.16(b) which establishes a regional school district as a separate legal entity, the statute further clarifies in the same chapter and section, but in subsections (c) & (d), to give authority to purchase land for the purposes of building and operating school buildings, as well as for the cost to construct, modify, or equip those buildings. MGL c.71, s.16(c) allows for purchasing of land within a member town pursuant to additional statutes. This requires approval by the regional school committee, and then must be approved by a 2/3 vote of the Town Meeting in the member town which the land is located. The district is further afforded the ability to incur debt (MGL c.71, s.16(d)) in order to purchase land for this purpose. The approval to incur debt must be a separate and distinct action by the regional school committee. Under sub sections (q) & (r) of the same chapter and section, regional districts are afforded the ability to rent or lease land for the same educational purposes, although not to exceed five (5) years.

Given the duties and powers under MGL c.71, s.16 (b)(c)(d)(q)(r), a fact pattern clearly emerges that points to a regional school district being on their own in regards to the ownership, management, maintenance, and replacement of its land and buildings. This comes with both a freedom of autonomy as well as a significant responsibility. As such, it is imperative that a regional district employs one or more individuals that can effectively manage the daily operations of large buildings. Larger scale projects involve many more individuals and committees throughout the course of the projects. However, on a daily basis, after the dust settles and all the project help clears, the district will be on their own to manage and operate the facilities it owns. Aside from any capital debt assessments born by the member towns, the maintenance costs and all other capital improvement costs must be included and funded through the general fund budget approved by towns at the annual town meeting. There are no mechanisms in place that will provide financial or physical support as issues arise.

Based on the fact above, it is incumbent on regional school districts to have accurate and up to date plans in place to keep the buildings functioning at an appropriate level. It is our suggestion that regional schools employ a Facilities Manager who has the unique and extensive skill set needed to accomplish that task. Together, in concert with the school business official, the appropriate structure is in place for success.

LINKS

MGL c.71, s.16, Status; powers and duties

<http://www.malegislature.gov/Laws/GeneralLaws/PartI/TitleXII/Chapter71/Section16>

Building Committee

Massachusetts General Law Chapter 71, Section 68, requires every town to provide and maintain an adequate number of schoolhouses to provide public education to all students in the community. This statute also requires towns to appoint one member of the school committee to serve on the committee or board that will plan, construct or acquire a schoolhouse. In a regional school district, the school committee is responsible for appointing the building committee and vesting them with the power and duty to construct, reconstruct, remodel, repair, expand, or equip a school building. Generally, a building committee is not required for repairs, minor renovations, or procuring furniture and fixtures.

The building committee or taskforce may be comprised of both employees and private citizens and may perform initial planning work for the school committee. Typical responsibilities include performing studies, outlining project requirements (scope, budget, timelines, etc.), conducting the designer selection process, and the like. As stated in 963 CMR 2.00 (6), “Cities, towns, regional school districts, and independent agricultural and technical schools are responsible for the administration and success of a project, and the provision of technical advice, guidance, approvals, or funds, if any, by the Authority shall not in any way be construed, interpreted or deemed to imply that the Authority shall have any responsibility for the administration or success of the project.” It is imperative that a regional school building committee be comprised of highly skilled individuals with the ability to manage the project well, given the lack of support from traditional town services.

LINKS

MGL Chapter 71, Section 68, Duties of towns to maintain schools; transportation of children: school building committee representation

<http://www.mass.gov/legis/laws/mgl/71-68.htm>

MGL Chapter 71, Section 16A, Regional district school committee; selection, powers and duties of officers; subcommittees

<http://www.mass.gov/legis/laws/mgl/71-16a.htm>

MGL Chapter 7, Section 38, Design Services

<http://www.mass.gov/legis/laws/mgl/7/7-38a.5.htm>

MGL Chapter 70B, Section 3C, School Building Authority; termination; projects to conform to federal statutory

<http://www.mass.gov/legis/laws/mgl/70b-3c.htm>

963 CMR: Massachusetts School Building Authority; School Building Grant Program

http://www.massschoolbuildings.org/uploadedFiles/About_MSBA/Legislation_and_Regulations/Full%20Text%20of%20MSBA_Regs%20prom%204.16.10.pdf

Americans with Disabilities Act (ADA)

The Americans with Disabilities Act of 1990 (ADA) is a law that was enacted by the US Congress in 1990. The ADA is a wide-ranging civil rights law that prohibits discrimination based on disability. Disability is defined by the ADA as “a physical or mental impairment that substantially limits a major life activity.” The determination of whether any particular condition is considered a disability is made on a case by case basis. Certain specific conditions are excluded as disabilities, such as current substance abuse and visual impairment which is correctable by prescription lenses.

Regional School Districts are responsible for adhering to, and administering, all requirements of the Americans with Disabilities Act. Districts are required to assign a member of their staff the responsibility to ensuring compliance with this mandate.

LINKS

Information and technical assistance on the Americans with Disabilities Act

<http://www.ada.gov>

Indoor Air Quality (IAQ)

The federal government has enacted a series of clean air acts for the protection of human health. Regional school districts are responsible for ensuring that that school facilities are free of pollutants that that may have an adverse effect on students and staff.

LINKS

EPA Indoor air quality, Tools for Schools
<http://www.epa.gov/iaq/schooldesign/index.html>
Indoor Air Quality, Self Inspection Checklist for Schools
<http://www.cdc.gov/niosh/docs/2004-101/chklists/6indoo~1.htm>

Septic/Sewage/WWTP

Regional schools are in most cases responsible for the cost of their own waste management. While the traditional town/city sewage systems merely place a financial burden onto the district, a more complex Wastewater Treatment Plant may be in operation on a regional campus. As such, the responsibility of the management of that WWTP lies with the district operations team and there are many restrictions on such an operation.

Pursuant to 314 CMR 3.00, 5.00, 7.00, and 8.00, no entity shall construct, install, operate, or maintain a wastewater treatment facility, a sewer system or any extension thereof or connection thereto without the approval of the Massachusetts Department of Environmental Protection (MA DEP) Agency. Once the appropriate procedures have been followed to install and commission a WWTP, the district cannot make any physical modifications to, or even adjust the flow volume of, a WWTP without the prior written approval of the MA DEP, per 314 CMR 12:03. In addition, the MA DEP requires that a current plant certification be maintained at all times. Beyond the physical systems themselves, any person operating a wastewater treatment facility needs to comply with the “Rules and Regulations for Certification of Operators of Wastewater Treatment Facilities” (257 CMR 2.00). The operating personnel must demonstrate that they are trained and competent to provide services consistent with the equipment’s specification, with the operation and maintenance requirements specified by the vendor and the designer, and with any requirements specified by the Department. These systems are complex and it is recommended that a certified engineering firm be used to support or fully perform the maintenance of a Wastewater Treatment Plant.

In addition to the regulatory restrictions on the installation, commissioning, and operation of a WWTP, it is also important to be aware of IRS and DOR issues such as proper depreciation, classification of funds for improvements, and the like. Links to the IRS tax information site for the governmental bodies and the Massachusetts Department of Revenue website are below.

LINKS

314 CMR 12.00: Operation and Maintenance and Pretreatment Standards for Wastewater Treatment Works and Indirect Dischargers.
http://www.mwpca.org/314_cmr_12.htm
257 CMR 2.00: Certification of Operators of Wastewater Treatment Facilities.
http://www.mwpca.org/257_cmr_2.htm
IRS – Tax information for governmental entities
<http://www.irs.gov/govt/fslg/index.html>
Massachusetts Department of Revenue
<http://www.mass.gov/?pageID=dorconstituent&L=2&L0=Home&L1=Local+Officials&sid=Ador>

Legal

Pursuant to MGL c. 71, s.16(b), regions are specifically set apart as legal entities with the ability “to sue and be sued.” This charge is further clarified in the same section with the caveat “to the same extent, and upon the same conditions that a town may sue or be sued.” This is a foundational fact in determining the functioning of a regional school district. Regions are, for all intent and purposes, operating on a daily basis as “municipalities,” separate and unique in their charges from their member communities. This legal foundation is the basis for the myriad fiscal management differences detailed in this document.

As such, while there are many different ways to procure legal representation, it is imperative that a region establishes its own legal counsel. Agreements can be in the form of an hourly rate contract with a firm, a retainer for minimum service level, or even the outright hiring of an attorney. The important fact is that a district be represented by its own attorney as it does not have access to the town counsel’s of its member communities in the case of needed representation.

LINKS

MGL c.71, s.16, Status; powers and duties

<http://www.malegislature.gov/Laws/GeneralLaws/PartI/TitleXII/Chapter71/Section16>

Risk Management

Risk management is the process of planning, organizing, leading, and controlling the activities of an organization in order to minimize, monitor, and control the probability and/or impact of unfortunate events on the organization. The strategies to manage risk include transferring the risk to another party, avoiding the risk, reducing the negative effect of the risk, and accepting some or all of the consequences of a particular risk. There are many ways to implement these strategies but the ones most commonly employed are through protective language in contract terms and conditions, internal controls around accounting for assets, regular inspection of facilities, grounds, and equipment, formal staff training programs, and procuring insurance. Municipalities commonly procure insurance for property and liability, vehicles, and bonding.

Regional schools are responsible for developing and implementing risk management programs.

LINKS

Guide to Commercial Insurance

<http://www.netquote.com/business-insurance/understand/netquote-guide-to-business-insurance.pdf>

Risk Management Guide

http://www.bing.com/reference/semhtml?title=Risk_management&src=abop&fwd=1&qpvt=Risk+Management&q=risk+management

MGL Chapter 258, Section 2, Liability; exclusiveness of remedy; cooperation of public employee; subsequent actions; representation by public attorney

<http://www.mass.gov/legis/laws/mgl/258-2.htm>

MGL Chapter 258, Section 8, Insurance

<http://www.mass.gov/legis/laws/mgl/258-8.htm>

MGL Chapter 258, Section 13, Indemnity of Municipal Officials

<http://www.mass.gov/legis/laws/mgl/258-13.htm>

Regional Transportation

In accordance with Massachusetts General Law, Chapter 71: Section 16C, regional school districts are required to provide transportation to all students in grades kindergarten through twelve. Although the state is required to reimburse regional schools for transporting students who live more than 1½ miles from the school, this provision is subject to an annual appropriation. Unfortunately, the state has not funded this requirement at 100% and reimbursements have varied from year to year.

LINKS

MGL Chapter 71, Section 16C, Regional School Transportation
<http://www.mass.gov/legis/laws/mgl/71-16c.htm>

MGL Chapter 71, Section 68, Duties of Towns to maintain schools; transportation of children; school building committee representation
<http://www.mass.gov/legis/laws/mgl/71-68.htm>

DESE Pupil Transportation Guide: A Guide for Massachusetts School Administrator
http://finance1.doe.mass.edu/transport/guide_0.html

Chief Procurement Officer

The school committee in a regional school district must appoint an individual to the position of chief procurement officer (CPO) to procure all supplies and services for the district. The CPO must attend classes provided by the Office of the Inspector General to obtain, and maintain, certification as a Massachusetts Certified Public Purchasing Officer.

LINKS

MGL Chapter 30B, Section 2, Uniform Procurement Act, Definitions
<http://www.mass.gov/legis/laws/mgl/30b-2.htm>

Massachusetts Certified Public Purchasing Officer Program
<http://www.mass.gov/ig/mcppo/igmpo.htm>

