

CITY OF NEWTON, MASSACHUSETTS

GUIDELINES FOR NEIGHBORHOOD AREA COUNCIL SPECIAL REVENUE FUNDS

Relevant Charter Sections

Article 9 of the City's Charter provides for the establishment of neighborhood area councils in order to encourage citizen involvement in government at the neighborhood level.

Section 9{c} of the Charter authorizes the neighborhood area councils to accept "... funds from public, but **not** including the City of Newton, and private sources, including public subscriptions; and expenditure of monies to meet overhead cost of council administration and support for neighborhood service area projects. "

Section 9-10 of the Charter mandates that each area council make an annual report of its activities to the Board of Aldermen.

Section 9-11 states that "Each neighborhood area council shall keep complete financial records which shall be subject to City audit.

Compliance with State Statutes

The Massachusetts Department of Revenue's Division of Local Services has recently advised the City that Newton neighborhood area councils should be treated as City agencies for purposes of the municipal finance laws of the Commonwealth. The most significant consequences of this directive is that all assets of the area councils need to be transferred to the custody of the City treasurer, and all assets, liabilities, fund equity, and operating activity need to be recorded on the City's general ledger, be subject to oversight and reporting by the City comptroller and audit by the City's independent external auditors.

The objective of this policy is to bring the financial activities of the City's neighborhood area councils into compliance with the municipal finance laws, while at the same time providing the area councils with a heightened level of check writing flexibility that is appropriate for the unique structure of the area councils attributable to their creation under the Charter.

Establishing a Revolving Account

Given the Charter prohibition against neighborhood area councils receiving City funding, a special revenue fund (departmental revolving fund or gift account), with an accompanying "petty cash" account, is the most appropriate mechanism for each neighborhood area council's financial activities. Both require advance approval by the Mayor and Board for an annual spending limit for the fund and the size of the accompanying "petty cash" account. These

amounts may be amended, as needed. The fiscal year of each such fund will be the City's July 1 – June 30 fiscal year.

The authorized size of the "petty cash" account in the initial year of approval will be limited to the amount of funds on hand in the neighborhood area council treasury on the date that these funds are turned over to the City treasurer for custody. As the initial funds are expended, the petty cash account balance can be replenished with subsequent collections through the City's normal accounts payable warrant process.

Upon approval of the special revenue fund and accompanying "petty cash" account by the Mayor and Board of Aldermen, the treasurer of each neighborhood area council will be instructed to close any existing bank accounts and to turn over all liquid assets to the City treasurer. The City treasurer will use these resources, up to the limit pre-approved by the Mayor and Board, to open a new checking account in the name of the City and neighborhood area council, with check writing authorization for the neighborhood area council treasurer. This account will serve as the neighborhood area council's "petty cash" account and be available for day to day disbursement activities of the neighborhood area council. Prior to the release of the "petty cash account" to the treasurer of each neighborhood area council, the City comptroller will conduct a conference to acquaint each treasurer with the requirements of this policy.

Use and Maintenance of the Account

Neighborhood area council funds may only be used for governmental purposes and may not be used for the purchase of alcoholic beverages; tobacco products; personal loans or advances; state sales taxes; or the payment of fines or penalties resulting from the violation of any state, federal, or local law.

In order to comply with state and federal tax reporting and withholding requirements, no salaries and/or wages; legal; medical; or consultant disbursements may be made directly from the "petty cash" account. To the extent that obligations are anticipated for these purposes, the neighborhood area council treasurer should contact the City comptroller to make arrangements for such disbursements to be made, with neighborhood area council funds, from the City's accounts payable system. The City will then be in a position to make any required withholdings and informational reports to state and federal tax authorities.

Once the "petty cash" account is opened and turned over to the treasurer of the neighborhood area council, all subsequent monies collected by the neighborhood area council must be deposited with the City treasurer for deposit to that neighborhood area council's special revenue fund. Subsequent cash collections can only be added to the "petty cash" account after submission of supporting paid invoices or receipts that document the expenditure of funds

originally deposited to the “petty cash” account. All cash collections should be deposited with the City within 48 hours of receipt.

A copy of the monthly bank statement for each “petty cash” account will to be sent to both the treasurer of the neighborhood area council for reconciliation to their supporting check register, and to the City treasurer. Within (30) days after the end of each calendar quarter (September 30; December 31; March 31; and June 30) the treasurer of each neighborhood area council, with an authorized “petty cash” account, shall furnish the City comptroller with a signed copy of the reconciled bank statement and a schedule itemizing all monies collected and turned over to the City treasurer and all disbursements made from the “petty cash” account during the previous fiscal quarter. A summary of the operating activity and fiscal year- end balance of each neighborhood area council is to be reported in the comptroller’s Annual Budgetary Basis Annual Financial Report.