

# PHILLIPSTON FINANCIAL MANAGEMENT POLICIES

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## Effective Date:

Adopted by the Selectboard October 22, 2018.

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## Antifraud Policy

### Purpose

To protect the Town's assets and reputation from misappropriation and abuse, this policy provides guidelines to safeguard against fraudulent activities and any appearance thereof. Policy objectives include:

- To create an environment in which employees and citizens can report any suspicion of fraud
- To communicate the Town's intent to prevent, report, investigate, and disclose to proper authorities suspected fraud, abuse, and similar irregularities
- To provide management with guidelines and responsibilities regarding appropriate actions in conducting investigations of alleged fraud and similar improprieties

### Applicability

This policy pertains to any suspected fraud, abuse, or similar irregularity against the Town. It applies to all elected and appointed Town officials and employees and to any other persons acting on behalf of the Town, such as vendors, contractors, volunteers, casual employees, and grant subrecipients.

### Policy

The Town is committed to protecting its revenue, property, information, and other assets from any attempt, either by members of the public, contractors, consultants, vendors, agents, or its own employees, to gain by deceit, financial or other benefits at the expense of taxpayers. Town officials, employees and other persons acting on behalf of the Town must, at all times, comply with all applicable policies, laws, and regulations. The Town will not condone any violation of law or ethical business practices and will not permit any activity that fails to withstand the closest possible public scrutiny. The Town intends to fully, objectively, and impartially investigate any suspected acts of fraud or other similar irregularities regardless of the position, title, length of service, or relationship with the government of any party who may be the subject of such investigation.

### A. Definitions

**Any person acting on behalf of the Town** will mean any person responsible for or to Phillipston's government placed in that position by some official relationship with the Town.

**Abuse** can occur in financial or nonfinancial settings and refers to, but is not limited to:

- Improper use or misuse of authority
- Improper use or misuse of Town property, equipment, materials, records, or other resources
- Waste of public funds

**Fraud or other irregularity** refers but is not limited to:

- Any dishonest or fraudulent act
- Forgery or alteration of any document or account

- Forgery or alteration of a check, bank draft, or any other financial document
- Misappropriation of funds, securities, supplies, or other assets
- Impropriety in the handling or reporting of money or financial transactions
- Profiteering as a result of insider knowledge of Town activities
- Disclosing confidential or proprietary information to outside parties
- Accepting or seeking anything of material value from consultants, contractors, vendors, or persons providing services or materials to the Town
- Destruction, removal or inappropriate use of records, furniture, fixtures, and equipment
- Any claim for reimbursement of expenses not made for the exclusive benefit of the Town
- Any computer-related activity involving the alteration, destruction, forgery, or manipulation of data for fraudulent purposes
- Any omissions and misrepresentations made in bond offering documents, presentations to rating agencies, and annual financial reports

### B. Antifraud Responsibilities

Every Town employee, officer or official has the responsibility to assist the Town in complying with policies and laws and in reporting violations. The Town encourages the support and cooperation of all employees in meeting the Town's commitment and responsibility to such compliance.

Town officials and department heads are responsible for instituting and maintaining a system of internal controls to reasonably ensure the prevention and detection of fraud, misappropriations, and similar irregularities. Management should be familiar with the types of improprieties that could occur within their areas of responsibility and be alert for any indications of such conduct.

The Chief Administrative Officer has primary responsibility for investigating all activity defined in this policy and will, to the extent practical, notify the Board of Selectmen of reported allegations of fraudulent or irregular conduct upon commencing the investigation. The Town will investigate any suspected acts of fraud impartially and without regard to the position, title, length of service, or relationship of any person, group, or organization involved. In all circumstances where there are reasonable grounds to indicate fraud may have occurred, the Chief Administrative Officer, subject to the advice of Town Counsel, will contact the Phillipston Police Department and/or the District Attorney's office. Upon concluding the investigation, the Chief Administrative Officer will report results to the Board of Selectmen and others as determined necessary. If fraud is substantiated, the Town will carefully consider and act to impose lawful and appropriate penalties up to and including dismissal and formal legal action.

### C. Disclosure

If the Town's investigation concludes that there was a violation of any federal criminal law involving fraud, bribery or gratuity potentially affecting a federal award, the Chief Administrative Officer will disclose such in writing to the federal awarding agency in compliance with the Office of Management and Budget's Omni Circular. Similarly, if there are findings of bond offering information falsification, the Chief Administrative Officer will disclose this in writing to the bondholders.

## **Procedures**

The Chief Administrative Officer will create a set of procedures to be appended to this policy or incorporated by reference. The procedures should cover all of the following at minimum:

1. Procedure and methods for reporting suspicions of fraud, abuse and other irregularities, without risk of retribution
2. Assignment of responsibilities in response to reported suspicions
3. Employee protections from retaliation
4. Security of investigation documents
5. Treatment of anonymous allegations and false allegations (intentional and unintentional)
6. Personnel disciplinary actions
7. Responsibilities around media contact
8. Training, education and awareness
9. Disclosure requirements and protocols

## **References**

M.G.L. c. 149 § 185

U.S. Office of Management and Budget, December 2013: *Omni Circular*

## **Audit Policy**

The purpose of this policy is to underscore the Town's commitment to the completion of periodic independent audits, which will consist of an examination of Phillipston's financial systems, procedures, and data by a certified public accountant, and a report on the fairness of financial statements and on local compliance with statutes and regulations. Doing so will strengthen public confidence that:

1. The Town's year-end financial statements are reliable, accurate, and complete;
2. Internal financial controls are in place and executed to protect community assets;
3. Departmental procedures are sound;
4. The Town's financial condition is healthy and its outlook positive; and
5. The Town has a management tool for measuring fiscal performance.

Therefore, it is the policy of the Town to do the following:

1. The Town will utilize accounting practices that conform to generally accepted accounting principles as set forth by the Government Accounting Standards Board (GASB). The Town will comply with GASB Statement 34 and continue to track, report, and depreciate capital assets as required;
2. An independent accounting firm will perform an annual audit. The principal person assigned to complete the audit will be a Certified Public Accountant with Massachusetts municipal audit experience;
3. The Town should, with Town Meeting approval, enter into multiyear agreements of at least five years in duration when obtaining the services of independent auditors;

4. The Town should undertake a full-scale competitive process for the selection of independent auditors at the end of the term of each audit contract, consistent with procurement guidelines under MGL, Chapter 30B;
5. A Management Letter, a by-product of an annual audit, shall be provided by the independent public accounting firm and reviewed by the Select Board and Finance Committee; and
6. The Town will establish a mechanism for addressing comments and issues raised in the auditor's Management letter and a process for monitoring corrective action.

## **Budget Guidelines**

Implementing of a well-founded budget process is a measure by which residents often gauge the performance of municipal government. The budget document itself is a mechanism for communicating town revenue setting policies, spending priorities and financial goals. A consistent budget process sets clear expectations for department heads and valuable predictability for residents from year-to-year.

For Phillipston, these policies also help the Town maintain a fiscally sound operating position by promoting its ability to balance its budget on a current basis, maintain reserves for emergencies, and have sufficient liquidity to pay bills on time to avoid short-term borrowing costs. They help the Town avoid budgetary procedures that balance current expenditures at the expense of meeting future years' expenses.

All Massachusetts municipalities are required by state law to prepare a balanced annual budget. The Government Finance Officers Association (GFOA) notes a true structurally balanced budget is one that supports financial sustainability for multiple years into the future.

### **Policy**

The Selectboard and Chief Administrative Officer will present to the Finance Committee for their review and recommendations to the Town Meeting, a balanced budget in which revenues equal or exceed expenditures. Expenditures will be realistically budgeted and estimated revenues will be conservatively budgeted to allow for unanticipated events. The Town will present the estimates and assumptions behind revenue estimates along with the balanced budget.

The Town will not use budgetary procedures that balances the budget at the expense of future years, such as postponing or deferring payment of expenses already incurred, accruing future year revenues, or rolling over short-term debt to avoid making principal payments.

The Town will not balance the budget by using one-time or other non-recurring revenues to fund ongoing expenditures, except in the event of an emergency or extraordinary or unforeseen events. If extraordinary or unforeseen events necessitate a budget in which current revenues are less than current expenditures and which thus relies on one-time revenues to balance, the Board and Chief

Administrative officer will provide along with the budget a plan to return to a structurally balanced budget in no more than three years.

The Town budget will also reasonably support a financially sound operating position by maintaining reserves for emergencies and providing sufficient liquidity to pay bills on time and avoid revenue anticipation borrowing.

The largest segment of a town's budget is its personnel costs. Failure to accurately monitor the approved personnel budget can lead to errors in budgeting, over or under-staffing, incorrect grading, and other increased personnel costs. The Town will maintain a personnel system that accurately tracks authorized, filled and unfilled positions as well as their funding source. Annual budgets will be prepared that account for all the costs necessary to cover positions that the Town intends to have during that budget period. All positions will be assigned authorized work schedules that include total hours per pay cycle. Prior to filling any vacancy, or changing regularly scheduled hours of work, departments heads will review with the Chief Administrative Officer and appointing authority the services provided by the position, the continued need for such services, and possible alternative service delivery methods. Positions will be assigned regular work schedules and total authorized hours of work.

### **References**

MGL Chapter 44 section 31

*Achieving a Structurally Balanced Budget*, Government Finance Officers Association Best Practice, February 2012

## **Budget Message**

Two important principles of public budgeting are clarity and publicity. The Government Finance Officers Association considers it of great importance for a budget explanation to be included as part of the legislative discussion, highlighting key issues of importance included in the document. It is equally important to distribute this information to the general public to give them a greater understanding of the issues confronting the community.

### **Policy**

In presenting the proposed budget to the Selectboard for their review and consideration, the Chief Administrative Officer together with the Accountant will prepare revenue projections for the upcoming fiscal year, together with the history of revenues for the past five completed fiscal years, the recommended operating budget for all Town departments. This budget will be presented to the Board in a formal public meeting for their review and consideration. The Chief Administrative Officer will provide written documentation of budget assumptions, including a 10-year history of free cash certification, stabilization fund balance, and overlay surplus.

The budget message from the Chief Administrative Officer in conjunction with the Selectboard will explain the proposed budget for all town departments in fiscal terms and in terms of work programs. It will outline the proposed financial policies for the Town for the ensuing fiscal year, describe the important features of the budget, indicate any major differences from the current fiscal year in financial

policies, expenditures, and revenues, together with the reason(s) for such changes, summarize the Town's debt position, and include such other material as deemed desirable. The document will:

- Enumerate the Town's / Selectboard's goals and how the budget support progress toward them;
- Discuss the short term internal/external factors impacting the budget; and
- Identify mid and long-range external factors and threats facing the Town.

The Selectboard will invite the Finance Committee to attend all such presentations and workshops during which it is to give the budget proposal consideration and review.

## **Capital Planning**

### **Purpose**

To effectively maintain the Town's infrastructure and protect the value of its capital assets, this policy provides guidance for planning, reviewing, and coordinating capital improvements. Adherence to this policy will help the Town meet its capital needs despite limited resources.

### **Applicability**

This policy applies to all current and proposed capital projects in the Town except for those that come under the authority of the Community Preservation Committee. This policy establishes a framework for long-term capital improvements, sets guidelines and expectations for all Town departments in planning for and requesting capital projects, and outlines consensus budgetary goals for the Board of Selectmen and Finance Committee. It also applies to related job duties of the Chief Administrative Officer, Town Accountant, and Treasurer.

### **Policy**

The Town will maintain its physical assets by providing funding in the operating budget to protect its capital investments and minimize future maintenance and replacement costs. To provide and preserve the infrastructure needed for achieving the highest levels of public services and quality of life possible within available financial resources, the Town will maintain an annually updated, five-year plan for capital improvements. The Town will emphasize preventive maintenance as a cost-effective approach to capital reinvestment and replace exhausted goods as necessary.

The Capital Improvement Planning Committee is charged to oversee Phillipston's capital improvement program. This involves identifying and prioritizing projects, analyzing funding, and creating a long-term financial plan achievable within the Town's budget limitations.

### **A. Definition of a Capital Improvement**

A capital improvement is a tangible asset or project estimated to cost over \$25,000 and to have or to extend five or more years of useful life. These include:

- Real property acquisitions, construction, and long-life capital equipment
- Major improvements to physical infrastructure, including streets, sidewalks, and stormwater drains,

- Major renovations of existing capital items that extend their useful lifespans, as distinguished from normal operating expenditures
- Planning, feasibility studies, and designs for potential capital projects
- Items obtained under a long-term capital lease
- Bulk purchases of similar items, like software or furniture, with expected useful lifespans of five or more years that, when aggregated, have total costs exceeding the capital threshold

## B. Inventory

To support a systematic acquisition and replacement schedule, the Chief Administrative Officer, with the assistance of the Town Accountant, will annually update and maintain a detailed inventory of all capital assets, which shall include dates built, acquired or last improved, original costs, current conditions, expected and remaining useful lifespans, depreciated values, extent of use, and any scheduled replacement or expansion dates.

## C. Evaluation of Capital Projects

As part of the annual budget process, the Chief Administrative Officer will solicit capital project requests from department heads and then evaluate and prioritize them using the criteria below:

1. Eliminates a hazard to public health and safety
2. Required by state or federal laws or regulations
3. Uses outside financing sources, such as grants
4. Supports adopted plans, goals, objectives, and policies
5. Stabilizes or reduces operating costs
6. Makes better use of a facility or replaces a clearly obsolete one
7. Maintains or improves productivity or existing standards of service
8. Directly benefits the Town's economic base by increasing property values
9. Provides new programs having social, cultural, historic, economic, or aesthetic value
10. Increases operational or personnel costs

## D. Multiyear Capital Improvement Plan

The Capital Improvement Planning Committee will annually update and propose to the Finance Committee and Board of Selectmen a five-year capital improvement plan (CIP), including the upcoming fiscal year's capital budget and a four-year projection of capital needs and expenditures that details their estimated costs, descriptions, and anticipated funding sources.

Throughout the year, the Town Accountant will monitor active capital projects to ensure they remain properly funded and will report any issues to the Chief Administrative Officer.

## E. Capital Financing

As a reserve for the CIP, the Town will maintain a capital investment stabilization fund to provide the flexibility to pay outright for moderate-range capital expenditures while preserving debt capacity for major, higher-dollar purchases or projects. In accordance with the Town's Financial

Reserves policy, the target maintenance level for this reserve shall be two to four percent of the Town's annual operating budget.

Annually, the Town will strive to maintain three to five percent of the general fund operating budget, net of debt, on capital investment allocations. Funding shall be derived from a combination of property taxes and the general and capital improvement stabilization funds. Long-term debt is an appropriate funding source for certain types of projects, while short-term debt and current revenues should be used for assets with short useful lifespans.

The CIP shall be prepared and financed in accordance with the following principles:

- Special revenue sources (e.g., grants, revolving funds) shall be evaluated as funding options whenever practical.
- The annual operating costs of each proposed capital project, as well its debt service costs, shall be identified before any long-term, bonded capital project is recommended.
- Short-term debt may be used to fully finance purchases with useful lifespans of less than 10 years.
- Major capital projects, such as new construction or major renovations to existing facilities, may be accomplished through capital or debt exclusions.
- Infrastructure or facility maintenance budgets built into the general operating budget will not be reduced to fund other departmental budgets.
- To the extent feasible, all capital projects associated with the Town's business-type operations (i.e., ambulance) shall be financed from user fees.

#### F. Capital Project Closeouts

The Town will endeavor to close out all capital projects within six months of completion or discontinuation. When closing out any project with a residual balance, the Town Accountant will work with the Treasurer to do one of the following:

- If the project was funded by available revenue (tax levy or reserves), reallocate the balance to another capital project(s) or close it to the appropriate fund surplus.
- If the project was bond-funded and has a balance under \$50,000, propose that the Board of Selectmen apply the balance to debt service.
- If the project was bond-funded and has a balance over \$50,000, propose that the Board of Selectmen apply the balance to another capital project(s) for which the Town may borrow for an equal or greater term than the originally issued loan.

#### **References**

M.G.L. c. 44, § 20

M.G.L. c. 44, § 33B

Phillipston policies on Debt Management and Financial Reserves

Division of Local Services (DLS) Best Practices: *Presenting and Funding Major Capital Projects and Special Purpose Stabilization Funds*

DLS Financial Management Guidance: *Capital Improvement Planning Manual and Capital Improvement Planning Guide – Developing a Comprehensive Community Program*

## **Debt Management**

### **Purpose**

To provide for the appropriate issuance and responsible use of debt, this policy defines the parameters and provisions governing debt management. Policy adherence will help the Town to responsibly address capital needs, provide flexibility in current and future operating budgets, control borrowing, sustain capital investment capacity, and maintain or enhance the Town's bond rating so as to achieve long-term interest savings.

### **Applicability**

This policy applies to the budget decision-making duties of the Board of Selectmen, Chief Administrative Officer, and Finance Committee. Further, it applies to the Treasurer's debt management responsibilities and Town Accountant's budget analysis and reporting duties.

### **Policy**

Under the requirements of federal and state laws, the Town may periodically issue debt obligations to finance the construction, reconstruction, or acquisition of infrastructure and other assets or to refinance existing debt. The Town will issue and manage debt obligations in such a manner as to obtain the best long-term financial advantage and will limit the amount of debt to minimize the impact on taxpayers. Debt obligations, which include general obligation bonds, revenue bonds, bond anticipation notes, lease/purchase agreements, and any other debt obligations permitted to be issued under Massachusetts law, will only be issued to construct, reconstruct, or purchase capital assets that cannot be acquired with current revenues.

### **A. Debt Financing**

In financing with debt, the Town will:

1. Comply with the provisions of MGL Chapter 44 §§ 7 and 8 which set-out the purposes for which municipalities can borrow and the time periods for which these borrowings can occur, and Chapter 44 §10, which establishes the Town's debt limit as 5% of its Equalized Valuation.
2. Issue long-term debt only for purposes that are authorized by state law and qualify for tax-exempt bonds and only when the financing sources have been clearly identified.
3. Use available funds to the greatest extent possible to reduce the amount of borrowing on all debt-financed projects.
4. Confine long-term borrowing to capital improvements and projects that cost at least \$100,000 and that have at least 10 years of useful life or whose useful lifespans will be prolonged by at least 10 years.
5. Refrain from using debt to fund any recurring purpose, such as current operating and maintenance expenditures.
6. Consider using revenue bonds, special assessment bonds, or other types of self-supporting bonds instead of general obligation bonds whenever possible.
7. Set user fees to cover capital costs for the ambulance service operation to the extent practicable.

## B. Debt Limits

The Town will adhere to these debt parameters:

1. Total debt service, including debt exclusions and any self-supporting debt, shall be limited to 10 percent of general fund revenues, with a target balance of five to seven percent.
2. As dictated by state statute, the Town's debt limit shall be five percent of its most recent equalized valuation.

## C. Structure and Term of Debt

The following shall be the Town's guidelines on debt terms and structure:

1. The Town will attempt to maintain a long-term debt schedule such that at least 50 percent of outstanding principal will be paid within 10 years.
2. The term of any debt shall not exceed the expected useful life of the capital asset being financed and in no case shall it exceed the maximum allowed by law.
3. The Town will limit bond maturities to no more than 10 years, except for major buildings, land acquisitions, and other purposes in accordance with the useful life borrowing limit guidelines published by the Division of Local Services (DLS).
4. Any vote to authorize borrowing will include authorization to reduce the amount of the borrowing by the amount of the net premium and accrued interest.
5. The Town will work closely with its financial advisor to follow federal regulations and set time frames for spending borrowed funds to avoid committing arbitrage, paying rebates, fines and penalties to the federal government, and jeopardizing any debt issuance's tax-exempt status.

## D. Bond Refunding

To achieve potential debt service savings on long-term, tax-exempt debt through bond refunding the Town will:

1. Issue debt with optional call dates no later than 10 years from issue.
2. Analyze potential refunding opportunities on outstanding debt as interest rates change.
3. Use any net premium and accrued interest to reduce the amount of the refunding.
4. Work with the Town's financial advisor to determine the optimal time and structure for bond refunding.

## E. Protection of Bond Rating

To obtain and maintain a favorable bond rating, the Town will:

1. Maintain good communications with bond rating agencies, bond counsel, banks, financial advisors, and others involved in debt issuance and management.
2. Follow a policy of full disclosure on every financial report and bond prospectus, including data on total outstanding debt per capita, as a percentage of per capita personal income, and as a percentage of total assessed property value.

## F. Reporting

1. The Treasurer will report to the Board of Selectmen and Chief Administrative Officer on the Town's debt status at least annually.

2. The Town Accountant will include an indebtedness summary as part of a report on receipts and expenditures in Phillipston's Annual Town Report.
3. The Town Accountant, with the Town's financial advisor, will file the annual audit and official disclosure statement within 270 days of the end of the fiscal year.

## **References**

M.G.L. c. 41, § 59 M.G.L. c. 41, § 61 M.G.L. c. 44, § 4  
M.G.L. c. 44, § 6 M.G.L. c. 44, § 6A M.G.L. c. 44, § 7  
M.G.L. c. 44, § 8 M.G.L. c. 44, § 17 M.G.L. c. 44, § 19  
M.G.L. c. 44, § 20 M.G.L. c. 44, § 21A 26 USC § 148

Phillipston Capital Planning policy

DLS Best Practice: *Understanding Municipal Debt*

DLS Borrowing Guidelines: *Asset Useful Life - Borrowing Limits*

DLS Informational Guideline Releases 17-21: *Borrowing* and 17-22: *Premiums and Surplus Proceeds for Proposition 2½ Excluded Debt*

Government Finance Officers Association Best Practice: *Refunding Municipal Bonds*

Internal Revenue Service Guidance: *Arbitrage Guidance for Tax-Exempt Bonds*

## **Disbursements**

### **Purpose**

To mitigate the risk of fraud and ensure the Town disburses cash only for legally valid liabilities, this policy establishes guidelines for the expenditure of Town funds.

### **Applicability**

This policy applies to the Town Accountant's and Treasurer's job duties and to the Board of Selectmen's warrant approval responsibilities. It further applies to all department heads and elected or appointed officials who submit requests for expense and payroll disbursements (all referred to here as "department heads"). Note that any elected or appointed board serving as a department head may vote to delegate the authority for approving payroll and expense submissions to one of its members, but no board can assign this responsibility to a non-board member.

### **Policy**

Vendor and payroll warrants will be processed and payments shall be disbursed every two weeks in accordance with a schedule established by the Accountant prior to the start of the fiscal year.

Vendor payments will only be made after goods and services are rendered to the Town. Vendor payments for goods and services shall be processed only on submission of an original invoice addressed to the Town and signed by the department head. Electronic invoices received from vendors may be submitted only if acceptable to the Town Accountant.

No department, board, committee or commission with spending authority shall knowingly create deficit by making a purchase or create town liability in excess of funds available in the account to be charged.

No disbursement for any payroll or accounts payable (AP) expense shall occur without the prior review and approval of the Town Accountant and Board of Selectmen. Accordingly, the Town Accountant is responsible for finalizing every AP and payroll warrant and the Board of Selectmen for approving each by majority signatures. All payroll expenditures must be based on approved time and attendance records and consistent with collective bargaining agreements or personal service contracts. All vendor payments must be based on original invoices and issued only to entities with valid form W-9s on file. Printed on the face of every disbursed check will be: "Void if not cashed within one year of issuance." The Treasurer will secure all checks in a safe until distributed. As a tax-exempt organization, the Town will not pay sales tax on any expense, including those associated with any employee personal reimbursements.

#### A. Ongoing Maintenance of Payroll and Leave Time Data

The Treasurer is responsible for maintaining the Harpers Payroll database of all active town employees, including their salaries, pay rates, stipends, weekly work hours, benefit options, and withholdings. Any change to an employee's employment status, work hours, or pay rate can only be made by the Treasurer based on a wage action form signed by the appropriate department head, Town Accountant, and Chief Administrative Officer.

The Town Accountant is responsible for maintaining and updating weekly an Excel database of employee leave time accumulations and usage. Any change the Town Accountant makes to any employee's rate of accumulation must be supported by one of the following documents: collective bargaining agreement, classification schedule, or personal services contract. Deductions to leave time will be based on data reported on weekly time sheets.

#### B. Bi-Weekly Responsibilities Related to Disbursement Processing

Each **department head** is responsible for:

- Assuring that all purchases of goods and services conform to the state's procurement laws
- Verifying that adequate funds exist in the department's budget for every AP and payroll submission, attesting to the accuracy of each submission via signature, and timely submitting the disbursement requests to the Town Accountant
- Distributing paychecks to employees upon receipt from the Treasurer

The **Town Accountant** is responsible for:

- Including each requested expense on the AP/payroll warrant only after validating:
  - Procurement laws were adhered to.
  - The submission is legal.
  - No fraud is evident.
  - Adequate funds exist.
- Preparing the AP and payroll warrants and submitting them to the Selectmen for approval
- Ensuring the payroll warrant balances with the Treasurer's payroll preprocess report before providing it to the Board of Selectmen and subsequently notifying the Treasurer to transmit the final report to Harpers Payroll Services
- Updating the general ledger with all AP and payroll warrant expenditures

- Receiving blank checks from the Treasurer, imprinting them with the disbursement data using the office printer, and returning them to the Treasurer

The **Treasurer**(and/or any delegated staff) is responsible for:

- Entering payroll data in the Harpers database based on time sheets received from the Town Accountant and transmitting the finalized electronic file to Harpers Payroll Services when notified to do so by the Town Accountant
- Reviewing the AP warrant and withholding from disbursement any amounts owed to the town by listed payees
- Upon receipt of payroll and AP warrants signed by the Selectmen, funding the associated bank accounts in the gross amount of each warrant
- Providing the Town Accountant with the appropriate number of sequential blank checks for printing
- Mailing out all AP checks to the vendors. The Treasurer will not give any vendor checks to department heads or other employees to mail.
- Notifying department heads to pick up paychecks upon receiving them from Harpers
- Updating the cashbook to document the disbursement activity

The **Board of Selectmen** members are responsible for:

- Reviewing each warrant for appropriateness by examining the invoices, back-up documents, and payroll detail, and directing any inquiries to the Town Accountant
- Approving the warrants by signing them

### C. Emergency Disbursements

If there is an emergency or extenuating circumstance where payment must be made to a vendor outside of the normal warrant process, the Treasurer may issue a manual check with written authorizations by the Chief Administrative Officer and Town Accountant. In any such case, the department head will submit the expense to be processed as a no-check on the next accounts payable warrant.

### D. Petty Cash

To mitigate the risks of illegal expenditures, procurement law violations, or instances of expenses exceeding appropriations, no petty cash accounts are authorized.

### E. Prior Fiscal Year Bills

To maintain the integrity of the annual budget, departments will charge all invoices to the proper fiscal year. In the event a department has an invoice for a prior fiscal year, it shall be submitted at a town meeting to authorize the payment and funding source. The appropriation can only be approved with a four-fifths vote of annual town meeting or a nine-tenths vote of a special town meeting.

### F. Audit

All disbursement activity is subject to audit by Phillipston's independent auditor.

## **References**

M.G.L. c. 41, §§ 41, 41A, 41B, 41C, 42, 43, 52, 56

M.G.L. c. 44, §§ 56, 58, 64

M.G.L. c. 30B

Phillipston's classification tables, and personal service contracts

## **Employee Reimbursement Policy**

### **Purpose**

To mitigate opportunities for fraud, waste and abuse, the Town must properly monitor and control reimbursements to employees and officials. This policy establishes rules governing reimbursements for legitimate business-related expenses, including necessary travel expenses incurred in performing official duties. It also provides guidelines for determining reasonable travel-related and other expenses and details the procedures, forms and documentation necessary to receive reimbursement.

### **Applicability**

This policy applies to all elected and appointed Town officials and Town employees (all referred to here as "employees").

### **Policy**

The Town will reimburse employees for reasonable expenses incurred on the Town's behalf as authorized by their department heads, boards, or committees.

Travel shall be restricted to necessary activities that provide a public benefit, such as training, professional conferences, and other municipal-related activities. All travel on Town business shall be planned for using the most economical mode and class of transportation reasonably available and the most direct and time-efficient route. Employees will travel using government and group rates when available. The Town will not reimburse or pay sales tax but will, however, pay meals and room excise taxes.

Business-related expenses, such as office supplies, should be procured through the Town's vendors and billed directly to the Town as much as feasible. Whenever this is not possible, the purchase must be made with the department head's approval.

When this policy is not followed, there is no guarantee that all expenditures will be reimbursed. Employees should determine estimates for their travel costs, discuss any extraordinary circumstances and expenses with their department heads, and obtain their authorizations in advance.

### **A. Unauthorized Expenses**

The following expenditures will not be reimbursed:

- Alcoholic beverages and tobacco
- Massachusetts sales tax
- Costs associated with any political or charitable event

- Flowers or other gifts for employees or others
- Expenses incurred by or on behalf of any person who is not a Town employee who accompanies the employee on official business
- Expenses incurred for the sole benefit of the traveler, such as valet service, entertainment, laundry services, etc.
- Theft, loss, or damage to personal property while on Town business
- Non-mileage-related personal automobile expenses, including repairs, insurance, gasoline, and traffic citations

The Town Accountant may refuse to approve for payment any claim deemed to be fraudulent, unlawful, or excessive. In that instance, the Town Accountant will file a written statement of the reason for refusal with the Treasurer and forward copies to the Chief administrative Officer and the originating department head. Resolution of all disputes shall reside with the Chief Administrative Officer.

### B. Reimbursable Expense Categories

All reimbursement to employees for expenses related to off-site meetings, conferences and events, must be pre-approved by the department head. Any related activity expenses in excess of \$250 or overnight or out of state travel must be pre-approved in writing by the Chief Administrative Officer.

#### **Transportation**

- Employees authorized to travel using their personal vehicle will be reimbursed at the mileage reimbursement rate established yearly by the Internal Revenue Service (IRS) or, for contractual employees, the rate established in their particular contractual agreement.
- Mileage will be calculated starting from the employee's office location or residence to the destination point, whichever distance is shorter. The distance must be verifiable using Google Maps, MapQuest, or similar software program.
- Employees must present receipts to be reimbursed for parking, tolls, airfares, taxi fares, and, when using a Town-owned vehicle, fuel charges.

#### **Lodging**

- If travel requires an employee to be away from home for more than 24 hours, he or she will be reimbursed for reasonable charges for lodging expenses.
- Lodging expenses must not exceed the group rate published by the conference or activity sponsor. If the sponsor's group rate is not available when booking, the Town will reimburse for lodging costs comparable in location and quality and reserved at the lodging's government or group rate, whenever that is available.
- The town will not reimburse any additional charge for a spouse or significant other.
- The Town will reimburse for only one night preceding any conference.

#### **Meals**

- If travel requires an employee to be away from home for more than 24 hours, he or she will be reimbursed for reasonable charges for meal expenses.
- Meal costs, including tips and taxes, incurred during the course of approved travel will be reimbursed only upon presentation of itemized receipts. If the receipt is for multiple employees, they should be listed on the back of the receipt.
- Meals included in registration costs cannot be claimed for reimbursement or advance.

- The town will not reimburse meal costs for a spouse or significant other.
- Under no circumstance will the total meals reimbursement exceed the Town's per diem rate of \$40.

### **Registrations**

- Whenever possible, registration fees for any conference, training, or workshop should be paid in advance through the Town's accounts payable warrant process. To pay advance registrations timely, the registration bill must be received in the Town Accountant no later than two full weeks prior to the registration deadline.
- If registration is not paid in advance, the employee must pay out-of-pocket and then submit for reimbursement.

### **Business and office Supplies**

- Employees must obtain department head approval prior to incurring expenses for any business or office supplies, and all purchases made on behalf of the Town must be necessary, reasonable, and appropriate.
- Business-related special postal services or delivery services that are not available through the Town will be reimbursed.

### C. Reimbursement Submission

Every claim for reimbursement must be documented using an *Expense Reimbursement Form* signed by the employee and the authorizing department head. Required information on the form includes: the travel or purchase date(s), purpose, amount(s), and total business-related mileage (as applicable). Except for mileage, the employee must attach to the form a receipt or other valid proof of payment for each reimbursement claim.

Employees should submit for reimbursement as soon as the travel has concluded or the expense has been paid, but at maximum, no later than 30 days after the expenses being incurred. If an employee does not submit the *Expense Reimbursement Form* and accompanying receipts or other necessary documentation within that time, he or she may be personally responsible for the expenses.

### D. Violations

Employees who violate this policy will be held directly responsible for their actions. Consequences may include revocation of travel privileges, reparatory payments, suspension, or termination. Improper documentation of otherwise valid travel expenditures creates the appearance of fraud, waste, or abuse and may result in similar consequences. Moreover, misrepresenting expenses and intentionally submitting false claims are fraudulent and could result in criminal penalties.

### E. Audit

All expenses are subject to verification that they comply with this policy and to audit by the Town's independent auditor.

### **References**

M.G.L. c. 41, §52

M.G.L. c. 44, §58  
M.G.L. c. 268A, § 3  
IRS webpage, Standard Mileage Rates

## **Fees**

### **Background**

User fees are an annual reported local receipt that reflect departmental charges and voluntary payments made by residents and others for permits, licenses, program participation and services provided.

The Government Finance Officers Association recommends that when certain services provided especially benefit a particular group (e.g. an individual seeking a permit or license), governments should consider imposing charges and fees on the services recipients. Well-designed charges and fees not only reduce the need for additional revenues sources, but promote service efficiency. Regular and consistent review of all fees is necessary to ensure costs associated with the delivery of specific services have been appropriately identified and that a municipality is collecting reasonable charges.

### **Policy**

Individual fees shall be set so that the total anticipated annual receipts reasonably cover the estimated yearly cost to provide the program or service (full cost recovery).

Exceptions to full cost recovery may be made where fee maximums established by the General Laws of Massachusetts (MGL) preclude them.

Elected boards, commissions, and departments that oversee fees collected by the Town should review fees at least every three years and recommend changes to the Selectboard for approval.

The CAO or designated staff will compare rates with nearby and/or comparable communities to determine if the fees established are competitive.

All fees collected by departments, offices, boards, committees or commissions shall be turned over to the Treasurer in accordance with the Town's Turnover procedures.

Pre- numbered receipts should be used by departments, officers, boards, committees and commission to acknowledge receipt of user fees from a user. These should be reconciled to the cash on hand and amount on the turnover.

### **References.**

MGL Chapter 40  
Emerson College v. Boston, 391 Mass. 415 (1984)  
Costing Municipal Services: Workbook and Case Study, MA DOR Division of Local Services workbook  
Establishing Government Charges and Fees, Government Finance Officers Association Best Practice, February 2014

## **Financial Management Team**

### **Purpose**

To maximize the effectiveness of financial practices by optimizing the coordination of interdepartmental activities and long-range plans, this policy establishes a financial management team that will meet regularly to discuss common goals and objectives.

Team meetings help the Town's finance officers to maintain open lines of communication and reinforce awareness of their interdependence. In this forum, team members can identify critical junctures, consider strategies to deal with anticipated areas of concern, and establish agreement about goals, deadlines, and each individual's role in meeting common objectives. A formal financial management team approach also fosters institutional continuity during times of turnover in financial offices.

### **Applicability**

This policy applies to the Chief Administrative Officer, Town Accountant, Treasurer, Collector, and Principal Assessor.

### **Policy**

The Town establishes a financial management team consisting of the Chief Administrative Officer, Town Accountant, Treasurer, Collector, and Principal Assessor. Meetings of the team will be scheduled at a consistent time bi-monthly and more frequently when necessary. Agenda topics will include:

- Updating the status of assigned responsibilities and due dates related to cyclical procedures
- Reviewing budget preparation, including financial forecasting and capital funding analysis
- Monitoring monthly revenue and expenditure reports and analyzing cash flow
- Developing corrective action plans for citations in the external auditor's management letters
- Reviewing the effectiveness of internal controls and proposing internal audits
- Coordinating submissions to the Division of Local Services
- Assessing special projects assigned by the Board of Selectmen or others
- Pursuing professional development and training opportunities

### **References**

Division of Local Services Best Practice: *Financial Management Team*

## **Financial Reserves**

### **Purpose**

To help the Town stabilize finances and maintain operations during difficult economic periods, this policy establishes prudent practices for appropriating to and expending reserve funds. With well-

planned sustainability, Phillipston can use its reserves to finance emergencies and other unforeseen needs, to hold money for specific future purposes, or in limited instances, to serve as revenue sources for the annual budget. Reserve balances and policies can also positively impact the Town's credit rating and consequently its long-term cost to fund major projects.

### **Applicability**

This policy pertains to the short- and long-range budget decision-making duties of the Board of Selectmen, Chief Administrative Officer, and Finance Committee. It also applies to the related job duties of the Town Accountant and Board of Assessors.

### **Policy**

The Town is committed to building and maintaining its reserves so as to have budgetary flexibility for unexpected events and significant disruptions in revenue-expenditure patterns and to provide a source of available funds for future capital expenditures. The Town will strive to maintain overall general fund reserves in the level of 10-15% percent of the annual operating budget. Adherence to this policy will help the Town withstand periods of decreased revenues and control spending during periods of increased revenues. There are multiple types of reserves, including free cash, stabilization funds, retained earnings, and overlay surplus.

#### A. Free Cash

The Division of Local Services (DLS) defines free cash as "the remaining, unrestricted funds from operations of the previous fiscal year, including unexpended free cash from the previous year." DLS must certify free cash before the Town can appropriate it.

To generate free cash, the Chief Administrative Officer will propose budgets with conservative revenue projections, and department heads will carefully manage their appropriations to produce excess income and budget turn backs. As much as practicable, the Town will limit its use of free cash to funding one-time expenditures (such as capital projects, snow and ice deficits, or emergencies).

The Town shall set a goal of maintaining its year-end unappropriated free cash balance in the range of three to five percent of the annual general fund budget. The Town will appropriate the excess above this target range to build reserves or to offset unfunded liabilities.

The Town shall not use free cash to fund the operating budget.

#### B. Stabilization Funds

A stabilization fund is a reserve account allowed by state law to set aside monies to be available for future spending purposes, including emergencies or capital expenditures, although it may be appropriated for any lawful purpose. As detailed below, the Town has established two stabilization funds, each of which is accounted for and reported as a trust fund, regardless of authorized use.

**General Stabilization:** The Town will endeavor to maintain a minimum balance of 5% percent of the current operating budget in its general stabilization fund. The Town will endeavor to appropriate .5% of the prior year's operating budget, less school debt, toward the General Stabilization Fund each year until the target is reached. Withdrawals from general stabilization should only be used to mitigate emergencies or other unanticipated events that cannot be supported by current general fund

appropriations. When possible, withdrawals of funds should be limited to the amount available above the five percent minimum reserve target level. If any necessary withdrawal drives the balance below the minimum level, the withdrawal should be limited to one-third of the general stabilization fund balance. Further, the Chief Administrative Officer will develop a detailed plan to replenish the fund to the minimum level within the next two fiscal years.

**Capital Investment Stabilization:** The Town will annually appropriate 1% percent of general fund operating revenues to this fund until it achieves a balance equal to the total amount of asset depreciation that the Town Accountant calculates yearly per the Government Accounting Standards Board's Statement 34. Subsequently, the ongoing fund balance target shall be 2 to 4% percent of the general fund operating budget. By sustaining funding in this reserve, the Town can balance debt with pay-as-you-go practices and protect against unforeseen costs.

### C. Overlay Surplus

The purpose of the overlay reserve is to offset unrealized revenue resulting from uncollected property taxes, abatements, and exemptions. Each year as part of the budget process, the Board of Assessors will vote to authorize a contribution to the overlay account, which the Town will raise on the annual tax recapitulation sheet. The amount to be added to the overlay account shall be based on the following:

- Current balance in the overlay account
- Three-year average of granted abatements and exemptions
- Potential abatement liability in cases pending before, or on appeal from, the Appellate Tax Board (ATB)
- Timing of the next DLS certification review (scheduled every five years)

At the conclusion of each fiscal year, the Board of Assessors will submit to the Chief Administrative Officer and Town Accountant an update of the overlay reserve with data that includes, but is not limited to, the gross balance, potential abatement liabilities, and any transfers to surplus. If the balance exceeds the amount of potential liabilities, the Board of Selectmen may request that the Board of Assessors vote to declare those balances surplus and available for use in the Town's capital improvement plan or for any other one-time expense.

### D. Finance Committee Reserve Fund

The purpose of the Finance Committee Reserve Fund is to provide a source of funds for unanticipated or emergency expenses. The fund is established at Annual Town Meeting in accordance with MGL Chapter 40 section 6.

The Finance Committee Reserve shall be funded at 2% of the annual total general government appropriation, excluding school costs, but not less than \$35,000.

All requests for a reserve fund transfer from departments that report to the Selectboard must first be submitted to and approved by the Chief Administrative Officer. The CAO shall review all such requests without unreasonable delay and, whenever possible, submit requests to the Finance Committee with sufficient notice to ensure a thorough and timely review.

### **References**

M.G.L. c. 40 §5B M.G.L. c. 59 §25 M.G.L. c. 44 §53F½

Phillipston Capital Planning policy

DLS Best Practices: *Free Cash* and *Special Purpose Stabilization Funds*

DLS Informational Guideline Releases 08-101: *Enterprise Funds*, 17-20: *Stabilization Funds* and 17-23: *Overlay and Overlay Surplus*

Government Finance Officers Association Best Practices: *Fund Balance Guidelines for the General Fund* and *Working Capital Targets for Enterprise Funds*

## **Forecasting**

The purpose of this policy is to establish a means by which the Town will forecast revenues and expenditures in accordance with establishes best practices. A forecast will provide Town officials with an indication of the long-term fiscal impact of current policies and budget decisions and will allow staff, the Finance Committee, and the Selectboard to test various scenarios and examine the fiscal impact on future budgets. Long-term financial planning, including revenue and expenditure forecasting, is one of the local government financial practices that credit rating agencies evaluate when assessing municipalities for credit quality.

### **Policy**

The Town will subscribe to the following practices.

To determine the Town's operating capacity for each forthcoming fiscal year, the Chief Administrative Officer, with the Town Accountant's assistance, will annually create a detailed budget forecast, including a five-year projection of revenues and expenditures for all operating funds. These forecasts will be used as planning tools in developing the following year's operating budget and the five-year capital improvement plan. The Chief Administrative Officer will provide the forecasts to the Finance Committee and Board of Selectmen for use in their budget decision making.

To ensure the Town's revenues are balanced and capable of supporting desired levels of services, forecasts for property taxes, local receipts, and state aid will be conservatively based on historical trend analyses and will use generally accepted forecasting techniques and appropriate data. To avoid potential revenue deficits, estimates for local receipts (e.g., inspection fees, investment income, license fees) should generally not exceed 90 percent of the prior year's actual collections without firm evidence that higher revenues are achievable.

Additionally, the Town's forecast model should assume that:

- The Town's current level of services will provide the baseline for projections.
- Property taxes (absent overrides) will grow at the limits of Proposition 2½.
- New growth will be projected conservatively, taking into account the Town's three- to five-year average by property class.
- Local receipts and state aid will reflect economic cycles.

- Historical trends in the growth of specific operating expenses and employee benefits will prevail.
- Debt service on existing debt will be paid, and the Town's Capital Planning and Debt Management policies will be followed.
- Annual pension contributions and appropriations to amortize other postemployment benefit liabilities will continue.
- Reserves will be built and maintained in compliance with the Town's Financial Reserves policy.

### **References**

M.G.L. c. 44, § 20

M.G.L. c. 44, § 53A

M.G.L. c. 44, § 53A½

M.G.L. c. 44, § 63

M.G.L. c. 44, § 63A

Phillipston policies on Capital Planning, Debt Management, Financial Reserves, Grant Management, and Indirect Cost Allocation

DLS Best Practice: *Revenue and Expenditure Forecasting*

DLS Informational Guideline Release 17-21: *Borrowing*

Government Finance Officers Association article: *Structuring the Revenue Forecasting Process*

## **Investment Policy**

### **Purpose**

To ensure the Town's public funds achieve the highest possible, reasonable rates of return available while following prudent standards associated with safety, liquidity, and yield, this policy establishes investment guidelines and responsibilities. It is further designed to comply with the Governmental Accounting Standards Board's recommendations that every community disclose its key policies affecting cash deposits and other long-term investments to ensure they are managed prudently and not subject to extraordinary risk.

### **Applicability**

This policy applies to the Treasurer's duties to invest and manage Town funds. It pertains to short-term operating funds, including general funds, special revenue funds, bond proceeds, and capital project funds, to all accounts designated as long-term (e.g., trusts, stabilization funds, other postemployment benefits trust fund), and to others the Town may set aside for long-term use, including scholarship and perpetual care funds. It does not pertain to the Town's retirement fund, which is invested and managed by the Worcester Regional Retirement System.

### **Policy**

The Treasurer will invest funds in a manner that meets the Town's daily operating cash flow requirements and conforms to state statutes governing public funds while also adhering to generally

accepted diversification, collateralization, and prudent investment principles regarding safety, liquidity, and yield. The Treasurer will separately maintain all long-term accounts in order to proportion interest and any realized and unrealized gains or losses. All trust funds are under the Treasurer's control unless otherwise directed by the donor.

The Treasurer will ensure all investment activity complies with state statutes governing allowable investment instruments, diversification principles, and investment restrictions for all short- and long-term funds.

#### A. Investment Objectives

To secure the highest return consistent with safety of principal while meeting the Town's daily cash needs, the Treasurer will adhere to the following guidelines on safety, liquidity and yield:

- To preserve capital, the Treasurer will mitigate credit and interest rate risks by prudently selecting and diversifying investment instruments and depository choices.
- The Treasurer will ensure the overall investment portfolio remains sufficiently liquid to meet all reasonably anticipated operating requirements. Since all possible cash demands cannot be anticipated, the Treasurer will carry out investment activities in a manner that provides for meeting unusual cash demands without liquidating investments and thereby potentially forfeiting accrued interest earnings and losing principal.
- The Treasurer will manage all investments so as to achieve a fair market average rate of return, taking into account safety and liquidity constraints, as well as all legal requirements.
- For trusts and other long-term funds, the Treasurer will invest fund assets for the primary purpose of growth, not liquidity, and will follow the risk mitigation guidelines in section B below.

#### B. Risk Tolerance

The Treasurer will employ the following strategies to mitigate the range of investment risks:

- The Treasurer will manage **credit risk** by following the guidelines on investment instruments published by the MCTA and incorporated here by reference. This mitigates the risk that an insurer or other counterparty to an investment will not fulfill its obligations.
- To mitigate **custodial risks** when investing with any financial institution, the Treasurer will review its financial statements and advisor's background to limit the Town's exposure only to institutions with proven financial strength, capital adequacy, and overall affirmative reputations in the municipal investment industry. The Treasurer will further ensure that all securities not held directly by the Town will be held in the Town's name and tax identification number by third-party custodians approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP (Committee on Uniform Security Identification Procedures) numbers for each.

Custodial risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Town would not be able to recover deposits or to recover collateral securities in the possession of an outside party. The custodial risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the Town would not be able to recover the value of an investment or to recover collateral securities in the possession of an outside party.

- The Treasurer will minimize **concentration of credit risk** by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. This mitigates the risk associated with the magnitude of the Town's investment in a single issuer.
- The Treasurer will carefully manage the duration of each investment account to mitigate **interest rate risk**, which is the risk that changes in interest rates will adversely affect an investment's fair market value.
- The Treasurer will mitigate **foreign currency risk** by limiting investments in any instruments with foreign currency exposures. This minimizes risk that changes in foreign exchange rates will adversely affect an investment deposit or its fair market value.

### C. Ethics

The Treasurer will refrain from any personal activity that may conflict with the proper execution of the investment program or that could impair or appear to impair the ability to make impartial investment decisions. The Treasurer will disclose to the Board of Selectmen and Chief Administrative Officer any personal, material financial interest in financial institutions that do business with the Town. The Treasurer will also disclose any large personal financial investment positions or loans that could be related to the performance of the Town's investments.

### D. Relationship with Financial Institutions

The Treasurer will consider soundness and stability when selecting financial institutions. To do so, the Treasurer will subscribe to and use one or more of the recognized bank rating services, such as Veribanc or Sheshunoff, and will work with only recognized, reputable brokers/dealers.

When using the Veribanc rating service, the Treasurer may invest in banks that show green ratings and will subsequently monitor the ratings quarterly. If a banking institution's rating turns yellow, the Treasurer will request the institution provide a written explanation for the rating change and expected timetable for changing back to green. If the rating is still yellow for a second quarter, the Treasurer will consider liquidating all funds that are not collateralized or do not carry some form of depositor's insurance. If any rating becomes red, the Treasurer will ensure that all money is immediately collateralized, covered by some form of depositors insurance, or removed from the banking institution.

The Treasurer will require any brokerage houses and brokers/dealers wishing to do business with the Town to supply the following information:

- Audited financial statements
- Proof of National Association of Security Dealers certification
- Statement that the broker/dealer has read and will comply with this policy
- Proof of credit worthiness (minimum standards: at least five years in operation and a minimum capital of \$10 million)

### E. Reporting Requirements

The Treasurer will assess investment activity and keep the Chief Administrative Officer and Town Accountant apprised of any major changes by providing a report of investment activity annually or more often as needed. The investment activity report shall incorporate all of the Town's investment funds and include the following information at minimum:

- List of all the individual accounts and securities held at the end of the period
- List of short-term investment portfolios by security type and maturity to ensure compliance with the diversification and maturity guidelines
- Summary of income earned on monthly and year-to-date bases
- Disclosure of the fees associated with managing each fund
- Brief statement of general market and economic conditions and other factors that may affect the Town's cash position
- Statement on the degree of compliance with the tenets set forth in this policy
- Disclosure of all fees associated with investment fund management

### **References**

M.G.L. c. 29, § 38A

M.G.L. c. 44, § 54

M.G.L. c. 44, § 55

M.G.L. c. 44, § 55A

M.G.L. c. 44, § 55B

M.G.L. c. 167, § 15A

M.G.L. c. 203C

Office of the Commissioner of Banks: List of Legal Investments

Governmental Accounting Standards Board Statement 40: *Deposit and Investment Risk Disclosures Creating an Investment Policy*, Government Finance Officers Association Best Practice, October 2010

## **Monthly and Quarterly Reporting**

Monthly reporting helps a community determine whether sufficient funds are available to cover current obligations, any surplus to be invested, or shortfall that may exist that requiring temporary borrowing.

### **Policy**

The Town Accountant will produce and distribute monthly budget to actual reports to evaluate the Town's financial position as required by Massachusetts law. These reports will be submitted to the Selectboard, Chief Administrative officer, Finance Committee and be available for department heads review. This will enable the Town to take prompt management action in the event that fiscal problems are indicated or adjust spending behavior to meet financial challenges.

The Town Finance Team (Chief Administrative Officer, Accountant, Treasurer, Collector, and Principal Assessor) will make a formal presentation to the Selectboard and the status of accounts, their activities and concerns over negative trends each month following the end of a fiscal quarter together with any steps recommended by the Chief Administrative Officer to deal with negative trends.

## **Reconciliations**

Two of the largest assets for a community are cash and receivables. Information pertaining to these is kept by the Treasurer, Collector and Town Accountant. The Treasurer is the custodian of the community's revenues, tax titles, and tax possessions. The Collector keeps a listing of outstanding receivables due to the community. The Accountant is responsible for maintaining the accounting records. Prompt and frequent reconciliations between these officers are essential to maintain control and ensure checks and balances are in place.

To ensure transactions are in balance, to mitigate fraud, and to safeguard general ledger accuracy, these financial officers must conduct regular reconciliations of their accounting records, and these must be reconciled to the general ledger. Although each financial officer is responsible for maintaining independent records of his or her office's transactions, they are also collectively accountable for the overall accuracy of Phillipston's financial records. Failure to reconcile cash, receivables, and withholdings hampers the Town's ability to produce reliable reports, close its books, make timely submissions to the Division of Local Services (DLS), and complete audits. In addition, unresolved variances reduce the amount of certified free cash and may result in significant deficiency findings by the independent auditor.

### **Applicability**

This policy applies to the Town Accountant, Treasurer, and Collector, their designees (if any), and all departments that use special revenue funds or have accounts receivable responsibilities.

### **Policy**

The Treasurer and Collector and all other department heads with accounts receivable duties will internally reconcile their respective accounting records and subsequently reconcile them with the Town Accountant according to the guidelines and periodic time frames outlined in this policy.

Within thirty calendar days after the end of each month, the Treasurer and Collector will internally reconcile the cashbook to all bank statements and all receivable balances with the receivable control. The results of these reconciliations will be forwarded to the Accountant and compared to general ledger records. Each general ledger reconciliation will be documented by a worksheet cosigned by the financial officers. If differences are found, the Treasurer, Collector, and Accountant will reconcile the variances (e.g. missing information, errors, and timing differences). If at any time any variance has not been resolved, this must be noted, along with a work plan and timetable for resolution. The Accountant will submit the collective set of reconciliation worksheets to the Chief Administrative officer at each month's end. The Chief Administrative Officer will ensure compliance with the timeliness and completion of this process.

## **Revenue Turnover**

### **Purpose**

To safeguard Town assets and maximize cash flow, this policy provides guidelines for departments to turn over receipts to the Collector. Included are details of internal controls designed to provide reasonable assurance that the Town's revenues are properly and timely secured, recorded, and deposited in Town bank accounts.

### **Applicability**

This policy pertains to all cash, check, credit card, and other forms of payment received by all Town departments for taxes, excises, fees, charges, and intergovernmental receipts. It applies to the individuals within each department assigned responsibility for handling payments. It further applies to the Town Accountant's duty to keep the general ledger up to date.

### **Policy**

The head of each department that receives payments is responsible for instituting and employing internal controls designed to ensure that all receipts are recorded accurately, kept secure from loss or theft, and turned over timely to the Collector. The Chief Administrative Officer will ensure that surety bonds are maintained for all individuals responsible for handling payments to indemnify the Town from potential lost revenue. Each department will turn over at least biweekly and sooner than that when receipts total \$250 or more. All cash management activity is subject to review by the Town Accountant and independent auditor.

#### **A. Receiving Payments**

Using pre-numbered receipt books, assigned departmental staff must issue a receipt for every payment received, even when the payer attempts to refuse it. These departmental staff must also identify the forms of payment (check, cash or credit card) in their receipt books. As the exception, employees in the Collector's office receiving taxes and other collections from the public need only issue receipts for cash payments. Every staff person who receives any check will immediately endorse it "For Deposit Only" using a stamp or by handwriting. Every department receiving payments shall secure them in a locked cashbox or safe until completing a turnover to the Collector.

Each department head is responsible for overseeing the processing, recording, record retention, and turning over of receipts to the Treasurer/Collector. To the extent practicable, separate individuals should be tasked with: 1) receiving and endorsing payments, 2) recording payments in the departmental log, and 3) turning receipts over to the Treasurer/Collector.

#### **B. Turning Over Revenues**

Departmental staff will fill out a *Schedule of Departmental Payments* form in Excel, print two copies, and obtain the department head's signature on them. Every listed receipt should tie back to a receipt book entry and to the receipt summary reports maintained by the department head. Departmental staff will deliver the turnover package in person. At no time will an employee leave a turnover in the Collector's office unattended.

No less than weekly and at month-end, the Collector will complete an internal turnover of all collections processed during that period for taxes and other committed receivables. This shall consist of a turnover report listing all of the processed collections summarized by receipt type, which must reconcile to the bank deposits made for the same period.

When the Treasurer's office has accepted the turnover, the department employee will receive a *Schedule of Departmental Payments* signed by a Treasurer staff member and will deliver this copy to the Town Accountant. The Town Accountant will refuse to accept any *Schedule of Departmental Payments* that does not have the Treasurer's signature.

The head of every department that receives payments will review the Town Accountant's monthly revenue reports to verify all turned over receipts have been accurately recorded in the appropriate general ledger accounts and report any discrepancies to the Town Accountant.

### C. Receiving Turnovers

When presented with the turnover, Collector staff will count the receipts in the presence of the employee doing the turnover. Any inaccuracies on the duplicate *Schedule of Departmental Payments* will be corrected on them at that time and initialed by both parties. The Collector staff member will then sign the forms and give one of them back to the departmental employee.

Within 24 hours of receiving the turnover, Treasurer/Collector staff will post the receipt data in VADAR Treasury Receipts module. At the close of business each day, the Treasurer/Collector will review the CDS postings, turnover documents, and receipts, update the cashbook, and create a deposit package. No less than once per week, the revenues will be deposited at the bank. Until the deposit is completed, Treasurer/Collector staff will ensure that all receipts are secured at all times, either in a cash drawer, or, if being held overnight, a secure location.

Weekly, the Treasurer/Collector will submit a CDS *Schedule of Receipts* report to the Town Accountant. The Town Accountant will compare the *Schedule of Departmental Payments* received from departments with the *Schedule of Receipts* reports received from the Treasurer/Collector and contact the Treasurer/Collector or appropriate departmental employee about any discrepancies. The Town Accountant will then post the receipt data to the general ledger.

### D. Insufficient Funds

Upon notification from the bank of an insufficient check or an invalid or otherwise unpaid electronic funds transfer (EFT), the Treasurer/Collector will enter a negative deposit to the original revenue account in CDS and notify the department responsible for the turnover. The Treasurer/Collector will also make a reversal entry in the cashbook, assigning it to the appropriate bank account.

The Treasurer/Collector will notify the issuer in writing of the bounced check or rejected EFT. Payment of the original amount plus a \$25.00 penalty is due in 10 days and must be in the form of cash, money order, or certified check.

It is the department head's (or designee's) responsibility to follow up on collecting the amounts owed. If the payment was for a license or permit, the department will suspend the license or permit until the original amount and penalty have been paid. If it was for a committed receipt (e.g., tax bill), the

committed amount will be reinstated by the appropriate official and the usual collection procedures followed.

#### E. Reconciliation

In accordance with the Town's Reconciliations policy, the Treasurer/Collector will reconcile the cashbook with bank statements and provide a summary of cashbook balances to the Town Accountant monthly.

#### F. Audit

All cash management activity is subject to review by the Town Accountant and Phillipston's independent auditor.

#### **References**

M.G.L. c. 41, § 35 M.G.L. c. 41, § 57 M.G.L. c. 44, § 69 M.G.L. c. 60, § 57A

Phillipston Reconciliations Policy

Massachusetts Collectors & Treasurers Association's *Treasurer's Manual* and *Collector's Manual*

### **Tailings**

#### **Purpose**

To minimize the liability posed by uncashed checks and its negative impact on cash position certainty, this policy sets guidelines for the timely resolution of tailings.

A tailing refers to a disbursed but uncashed check, which represents a debit liability on the Town's books. It can arise from any treasury check issued to pay an employee or vendor, refund a municipal tax or charge, or pay any other municipal obligation. Tailings constitute unclaimed property under M.G.L. c. 200A. Having accepted M.G.L. c. 200A § 9A, the Town can expedite the tailing resolution process and prevent the eventual reversion of the funds to the State Treasurer, as otherwise required. This policy sets forth the steps that must be taken to properly manage tailings under § 9A.

#### **Applicability**

This policy applies to the Treasurer, Town Accountant, and all department heads.

#### **Policy**

In accordance with § 9A and the Town's Disbursements policy, every check issued by the Treasurer will have imprinted on its face: "Void if not cashed within one year of issuance." On a monthly basis, the Treasurer will identify all uncashed checks older than 30 days and attempt to resolve them using the procedures outlined below. Furthermore, at the start of each calendar year, the Treasurer and Town Accountant will work together to resolve accumulated tailings, either by prompting the actual pay out or through reversion to the Town.

## **Procedures**

### **A. Monthly Review**

Once a month, as part of the bank reconciliation, the Treasurer will identify all the uncashed checks in the bank statements and enter them into an Excel spreadsheet log of outstanding checks. The Treasurer will then determine which checks in the cumulative log are outstanding 30 days or more after issuance. The Treasurer will email the department head associated with each such check to follow up with the employee or vendor payee. The department head will attempt to contact the payee by phone to determine why the check has not been cashed. For all checks still outstanding two weeks after notifying the departments, the Treasurer will send an uncashed check notice to each payee at his or her last known address.

Also once a month, the Treasurer will identify all checks that are uncashed more than one year after issuance and notify the bank to stop payment on them. After this point, the checks may still be claimed by the payees but will require reissuance. The Treasurer will provide a report of the stop-paid checks to the Town Accountant, who will then record the funds as abandoned property liability in the general ledger.

### **B. Yearly Review**

In the month of January each year, the Treasurer will review the accumulated inventory of stop-paid tailings and do the following:

1. List the unclaimed checks on the Town's website for a minimum of 60 days under the heading: "Notice of names of persons appearing to be owners of funds held by the Town and deemed abandoned." Along with payee names, this notice will detail the process to claim funds and set a deadline for making a claim not less than 60 days after the initial posting date of the notice on the website.
2. For all checks still unclaimed after the website deadline, publish a notice of the checks in the Athol Daily News. This notice will be in the same form as the website posting and state a new claim deadline not less than 60 days after the publication date.
3. After 60 days lapse from the newspaper publication, send a notice of all unclaimed funds under \$100 to the Town Accountant. For those \$100 or greater, publish a second notice in the Athol Daily News with the same language as the previous except that it provides a deadline for claiming the funds at least one year after the new publication date.
4. Schedule a calendar prompt one year after the second publication date to review the checks and notify the Town Accountant of all those that are still unclaimed at that time.

### **C. Reversion**

Upon receipt of either notice from the Treasurer described in Section B above, the Town Accountant will revert the listed funds. This involves reversing the abandoned property liability and recognizing the funds as revenue.

#### D. Check Claiming

At any point prior to reversion, if a payee contacts the Treasurer to claim a check, the Treasurer will review the claim for validity and timeliness. If deemed appropriate, the Treasurer shall submit the claimed amount to the Town Accountant for inclusion on the next disbursement warrant.

#### E. Audit

All activity related to tailings is subject to audit by the Town Accountant and independent auditor.

#### **References**

M.G.L. c. 200A, § 9A

Phillipston policies on Disbursements and Reconciliations

Massachusetts Collectors & Treasurers Association: *Treasurer's Manual*

## **Tax Enforcement**

#### **Purpose**

To provide guidance for equitably enforcing tax obligations and set expectations for both the Town and taxpayers, this policy clearly defines when and how the Town will transition unpaid property taxes from tax title through to foreclosure. It is in the best interest of the Town and its residents that property taxes be paid when due. The Town budget is set in anticipation of the collection of taxes, and taxes not paid by some property owners shift the cost burden onto others. The Town recognizes that individuals may go through periods of financial difficulty, but any taxpayer who becomes delinquent will be encouraged to find alternative resources to pay in full as soon as possible.

#### **Applicability**

This policy applies to the job duties of the Treasurer, including the responsibility for managing services contracted through the Town's tax title attorney. Tax enforcement applies to all Phillipston real estate property owners whose taxes are not exempt.

#### **Policy**

The Town intends to timely pursue all legal methods to collect taxes from delinquent property owners with the aim of achieving a target 98 percent property tax collection rate by fiscal year-end. A tax delinquency is defined as a bill outstanding at least one year and one day after its final due date, and it represents a lien on property that remains in effect until all taxes, interest, and fees have been paid in full. The costs of all collection methods are added to the real estate tax bill and property lien. The Town will also periodically pursue foreclosure actions with the primary objective of receiving all monies due.

#### A. Demands

Final taxes are due to be paid as of May 1 each year (the due date for the fourth quarter tax bill). No later than June 1, the Treasurer will issue demand notices to all assessed property owners who have

failed to pay in full, have not been granted full exemptions, and do not have automatic stays on record due to bankruptcy filings.

### B. Tax Taking

The Treasurer will begin the tax taking process within 60 days of the demand notice. State law allows the process to begin as soon as 15 days after the demand, but, in every case, the Treasurer must complete the takings within 3½ years from the end of the fiscal year for which the taxes were assessed to secure, or perfect, the tax liens. The Treasurer shall carefully document the taking process to preserve the Town's rights for future actions.

The Treasurer will send at least one enforcement letter to delinquent property owners as a courtesy to potentially avoid a tax taking advertisement. If this does not result in full remittance by September 1 the Treasurer will publish a Notice of Tax Taking in a local newspaper and post the notice in two or more convenient, public places. The Town customarily publishes in the Athol Daily News. In addition, the Treasurer posts notices on bulletin boards at town hall and the library. From this point forward only cash, certified check, or cashier's check are acceptable forms of payment.

Within 60 days of the tax taking announcements, the Treasurer will prepare an Instrument of Taking form for each delinquent property and record it at the Registry of Deeds, the recording of which perfects the tax lien. After receiving the recorded Instruments back from the Registry, the Treasurer will notify the affected property owners of the liens by sending each of them a letter and a photocopy of the Instrument. The Treasurer will provide copies of the List of Recorded Takings to the Town Accountant and Chief Administrative Officer.

### C. Subsequent Taxes

After the demand bill and before June 15 each year, the Treasurer will certify all unpaid taxes for parcels of real estate taken into tax title for nonpayment of taxes in prior years and not yet redeemed and put them in a Subsequent Tax Takings report. The Treasurer will provide copies of the report to the Town Accountant and Chief Administrative Officer and retain one on file.

### D. Interest, Fees, and License Revocation

All delinquent taxpayers are subject to charges, which the Treasurer will add to their accounts and tax bills. These include interest accrued to the date of tax taking, advertising fees, certified mailing costs, legal fees, and all recording fees.

The Treasurer will create a list of all the individuals who are delinquent in paying taxes or other charges and provide it to the Town departments, boards, and committees that issue licenses and permits. These authorities will review the list to deny, suspend, or revoke delinquent taxpayers' licenses and permits.

### E. Tax Title Payment Agreements

**This section is subject to the adoption of a tax title payment agreement bylaw, M.G.L. c. 60, § 62A.**  
*The Treasurer will pursue and establish payment agreements for parcels in tax title to allow delinquent taxpayers to pay off their tax liens over time. The Treasurer will actively monitor compliance with all such agreements, which will have the following features in common:*

- *Signed agreement between the Treasurer and taxpayer*

- *Upfront payment of at least 25 percent of the full balance owed*
- *Specific amount to be paid each month*
- *Incorporation of payments for the current tax bill*
- *Agreement term not exceeding five years*
- *Statement that defaulting on the agreement will immediately trigger foreclosure action by the Town*

*For taxpayers who fully comply with their payment agreements, the Treasurer will waive 50 percent of the interest accrued on their tax title accounts.*

#### F. Redemption or Foreclosure

The primary policy goal of the foreclosure process is to receive the outstanding amounts owed. At least once every year, the Treasurer will review all tax title properties that are older than 180 days and do not have payment agreements or bankruptcy recordings. From these, the Treasurer will identify all properties of significant value to process for potential foreclosure in Land Court. To do this, the Treasurer will thoroughly verify the properties' enforcement histories before referring them to the tax title attorney, beginning with those having the largest dollar value of taxes owed.

The Treasurer will ensure the tax title attorney complies with the objectives laid out in this policy section. The Treasurer will work with the tax title attorney to prepare parcels in tax title status for foreclosure, beginning by providing each Instrument of Taking. The tax title attorney will research the tax title properties and also mail new collection enforcement letters to the taxpayers telling them of the importance of redeeming the property and warning of potential foreclosure action.

If a taxpayer or other party pays the outstanding amount on a tax title property, the Treasurer will prepare an Instrument of Redemption and file it at the Registry of Deeds, which removes the lien. Redemption can only be done prior to the property being foreclosed. If the obligation remains unpaid, the tax title attorney will proceed with foreclosure action in Land Court, possibly resulting in auctioning of the property.

In addition to Land Court foreclosure referrals, the Treasurer is responsible for completing foreclosures on any properties below the "Land of Low Value" threshold, which is annually updated each spring by the Division of Local Services (DLS).

#### **References**

M.G.L. c. 60, § 6 M.G.L. c. 60, § 16 M.G.L. c. 60, § 50 M.G.L. c. 60, § 53

M.G.L. c. 60, § 54 M.G.L. c. 40, § 57 M.G.L. c. 60, § 61 M.G.L. c. 60, § 62

M.G.L. c. 60, § 62A M.G.L. c. 60, § 63 M.G.L. c. 60, § 76 M.G.L. c. 60, § 77

M.G.L. c. 60, § 79 M.G.L. c. 60, § 80

Phillipston Bylaws, Article XXVIII, *Denial or Revocation of Local License or Permit for Nonpayment of Local Taxes, Fees or other Charges*

DLS Best Practice: *Enforcing Collections*

DLS Guidance: *Local Tax Collection FAQs*

DLS Informational Guideline Releases 03-210: *Collection Costs and Procedures*, 05-208: *Payment Agreements and Tax Receivable Assignments and Land of Low Value Foreclosure Valuation Limit* (updated annually)

## **Tax Recapitulation**

### **Purpose**

To ensure the Town timely and appropriately charges taxes to property owners in support of the annual budget, this policy sets forth the roles, responsibilities, and deadlines associated with the tax recapitulation (i.e., "tax recap") process. A timely and accurate annual tax recap helps ensure the Town complies with state statutes, prevents workflow disruptions in its financial offices, and avoids any temporary borrowing costs associated with cash shortfalls.

### **Applicability**

This policy applies to the Board of Selectmen and Chief Administrative Officer in their policymaking and management responsibilities and to the Board of Assessors in its role as principal overseer of the tax recap process. It also applies to the related job duties of the Town Accountant, Principal Assessor, Treasurer, and Town Clerk.

### **Background**

The property tax levy is Phillipston's largest source of revenue, which therefore makes the tax recap a vital component of the Town's fiscal operations. The Assessing Department oversees two core phases: property valuation and tax rate setting. However, the full process begins with town meeting, involves many other local officials, and requires careful management, teamwork, and cooperation.

The tax recap forms and schedules present the Town's annual budget plan for the fiscal year. They summarize all appropriations made by town meeting since the previous year's tax rate was set and identify all non-property-tax revenue sources, such as state aid, local receipts, and reserves. The difference between these sources and the total budgeted appropriations must be raised through the property tax levy.

By completing the tax recap and submitting it to the Division of Local Services (DLS) for approval, the Town establishes its property tax levy and sets the tax rate for the year. The Town may issue actual tax bills only after DLS reviews the recap and approves the tax rate.

### **Policy**

At the Chief Administrative Officer's direction, Phillipston's financial team will annually complete the tax recap process no later than November 30. The Collector will print and mail the actual tax bills no later than December 31. The Chief Administrative Officer will develop a realistic plan and timetable to meet these deadlines and keep the Board of Selectmen apprised of progress.

#### **A. Preparation and Town Meeting**

A successful tax recap process starts with a balanced annual budget, valid funding sources, and proper town meeting actions, which will be accomplished as follows:

- The Board of Selectmen, through the Chief Administrative Officer and Town Counsel, will assure the production of a properly written town meeting warrant that will allow town meeting voters, under the Town Moderator's oversight, to properly authorize annual budget appropriations funded by specific revenue sources (e.g., raise and appropriate, free cash, stabilization).
- The Board of Selectmen will ensure that any annual increase in the tax levy does not exceed the maximum allowed under Proposition 2½.
- The Town Accountant, Chief Administrative Officer, and Board of Selectmen will verify that the proposed budget is balanced.
- The Town Accountant will prepare a schedule of funds available for appropriation by town meeting.
- The Treasurer and Town Counsel will ensure any debt issuance authorizations are proper.
- The Board of Selectmen will ensure that any proposal for a general override, debt exclusion, or capital exclusion is properly presented in the town meeting warrant and, if passed, put to a town-wide referendum.

Whereas the budget is typically adopted at the spring town meeting, all appropriations and borrowings approved at this and any other town meetings not recorded in the previous tax rate must be included in the current tax recap process.

#### B. Recording Legislative Actions

To allow time for any required corrective measures, the following tasks will be completed within two weeks after town meeting:

- The Town Clerk will certify all appropriations approved since the last tax rate was set.
- The Town Accountant will reconcile all votes and authorized amounts.
- The Town Clerk, with the Town Accountant's assistance, will enter all town meeting appropriation votes by article into the DLS Gateway system (page 4 of the tax recap).
- From the certified town meeting authorizations, the Town Accountant will complete the following Gateway forms:
  - enterprise estimated revenues and appropriations (Schedule A-2)
  - enterprise receipts and appropriations (Schedule A-2)
  - revolving funds (Form A-3)
  - community preservation fund estimated revenues and appropriations (Form A-4)
  - free cash used (Form B-1)
  - available funds used (Form B-2)
  - When applicable, the Treasurer will prepare the debt exclusion report, including any use of reserved bond premiums (Form DE-1), and report any reserved bond premium amounts used as funding sources (Form B-2).
  - When applicable, the Town Accountant will include free cash voted to reduce the current tax rate on page 2 of the tax recap.

#### C. Tax Recap Entries done after the Fiscal Year-end Closing

Within two weeks of closing the books for the fiscal year, the Town Accountant will do the following to complete the tax recap:

- Document and report all deficits or other expenditures that must be funded, including debt and snow and ice (page 2 of the tax recap)
- Record the actual amounts received for each type of local receipt (page 3, column (a) of the tax recap and column (a) section 1 on Schedule A-2)
- Enter estimated local receipts using the revenue projections from the final budget approved at town meeting (page 3, column (b) of the recap and column (b) section 1 on Schedule A-2 )
- Enter the actual community preservation fund revenues for the prior fiscal year (Form A-4)
- Enter the actual enterprise revenues for the prior fiscal year (Schedule A-2)

#### D. Property Value Certification

Assessors must value all taxable real and personal property and must classify each property into one of four classes (residential, open space, commercial/industrial, or personal) based on use as of January 1.

To do this, the Principal Assessor will:

- Complete the property sales report (Form LA-3) for all sales over \$1,000 and submit it to DLS for approval.
- Analyze market conditions and set final property values in compliance with DLS certification standards.
- Report the total assessed valuation for real and personal property by class (Form LA-4, which is transferred to page 1 of the tax recap).
- Report fiscal year tax base growth used to determine the levy limit under Proposition 2½ (Form LA-13, which is transferred to the Levy Limit Worksheet).
- Update any prior-year omitted and revised assessments that included growth (Form LA-13A, which is transferred to the Levy Limit Worksheet).

The Principal Assessor will submit the above forms to DLS for review and certification.

#### E. Tax Rate Setting

After DLS has certified property values, the Board of Selectmen will hold a public hearing to decide tax policy. At this classification hearing, the Board of Selectmen may vote for a single tax rate, which thereby allocates the tax levy proportionately across all property classes, or for a shift of the tax burden between the four classes. Leading to this hearing, the following must be done:

- The Principal Assessor and Town Accountant prepare an overlay analysis (Form OL-1).
- The Board of Assessors estimates and votes the amount of overlay to raise.
- The Board of Assessors prepares a financial analysis of the various tax alternatives.
- The Board of Selectmen votes on residential, small commercial, and open space exemptions.
- The Board of Selectmen acknowledges excess levy capacity (Form LA-5).
- The Town Clerk attests to notice having been given to taxpayers regarding the public hearing (Form LA-5).

#### F. Review and Submittal to DLS

The Board of Assessors, working through the Principal Assessor, is responsible for submitting all forms and supporting documents to DLS for tax rate approval. To do this:

- The Principal Assessor and Town Accountant will review all schedules, verify signatures, and verify that all proper documents are attached.
- The Town Accountant will ensure that all budget authorizations are represented and clearly reconcile to the amounts reported in the tax recap schedules.

#### G. Tax Commitment Creation

After DLS notifies the Town that the tax rate has been approved, the Principal Assessor will create a tax commitment list and warrant duly signed by the Assessing Board members and refer it to the Treasurer to generate the actual tax bills.

#### **References**

DLS Training Publications: *New Officials Financial Handbook* and *Assessors Course 101 Handbook Chapter 5: Setting the Tax Rate*

Phillipston policies on Forecasting, Indirect Cost Allocation, and Year-end Closing

## **Year-End Closing**

#### **Purpose**

To ensure local officials have accurate financial data in adequate time to make necessary budgetary decisions, the Town must properly close its books promptly after the fiscal year ends. Failure to adhere to a timely schedule delays the completion of closing entries, trial balances, reconciliations, account analyses, and financial reporting. As an important reserve, the Town's annual free cash cannot be certified expeditiously and accurately unless applicable employees adhere to best practice year-end schedules and procedures. To meet these objectives, this policy specifies the tasks that must be completed, their associated deadlines, and the parties responsible.

#### **Applicability**

This town-wide policy applies to the responsibilities of all department heads in managing and reporting on their budgets and assets. It further applies to the related year-end compilation, reconciliation, and/or oversight duties of the Chief Administrative Officer, Town Accountant, and Treasurer. Additionally, it pertains to the budget transfer authority of the Board of Selectmen and Finance Committee.

#### **Policy**

The Chief Administrative Officer will hold every department head accountable for timely and accurately completing the year-end tasks applicable to each as outlined in this policy. Annually no later than May 15, the Chief Administrative Officer will email this policy to all department heads as a reminder of year-end expectations. The Chief Administrative Officer will subsequently oversee the coordination of the various year-end task components under the time frames and procedures outlined below. All facets of the year-end closing detailed here will be accomplished no later than October 31 each year.

#### A. Review of Grant Balances, Other Special Appropriations, and Special Revenue Accounts

By May 15, the Town Accountant will distribute management reports of all grant, special appropriation, and special revenue accounts to the responsible department heads to solicit status updates on them. Each such department head will notify the Town Accountant in writing of any completed project with an unexpended balance so that s/he may close its account to fund balance (or to a special revenue source, if appropriate). Alternatively, if any completed project's account is in deficit, the department head will notify the Town Accountant in writing, provide funding source(s), and state when it will be resolved so that s/he can plan for closing the account.

The Town Accountant will carefully review any special appropriation account remaining open but inactive in the general ledger for more than two fiscal years to ensure it does not serve as an unauthorized special revenue funding source.

#### B. Year-end Encumbrances

By June 1, the Town Accountant will email all department heads advising them to submit all available invoices by June 30 and to provide notification of any pending obligations remaining from the fiscal year. With proper documentation, the Town Accountant will only encumber funds that have been committed to specific purchases (by purchase orders), services (by service agreements), projects (by contracts), or salary as of June 30.

#### C. Capital Project Reviews, Capital Asset Updates, and Borrowings

As of March 1, the Town Accountant will review all capital project accounts to ensure that any internal borrowings done in anticipation of short- or long-term debt issuances have been covered. For any identified deficits:

- If debt had been authorized, the Town Accountant will notify the Treasurer to initiate a short-term borrowing in an amount sufficient to cover the deficit no later than June 30.
- If debt had not been authorized, the Town Accountant will refer the shortfall to the Chief Administrative Officer to either submit it for a debt authorization or appropriation from available funds by town meeting or for a line-item transfer by the Board of Selectmen and Finance Committee (see section D below).

By June 15, the Town Accountant will distribute via email a capital asset list to department heads along with next-step instructions. By no later than August 1, each department head with capital assets will respond by forwarding to the Town Accountant an asset update report with notes confirming the existing data, making additions, and/or noting appropriate deletions, along with narrative explanations. The Town Accountant will update the Town's capital asset inventory based on the returned information.

#### D. Year-end Transfers

The Town Accountant will pay close attention to any appropriation deficits that may be rectified through line-item transfers and notify the Chief Administrative Officer. No earlier than May 1 and no later than July 15, the Chief Administrative Officer will put any necessary transfer request on the Finance Committee's meeting agenda, followed by the Board of Selectmen's meeting agenda, for their authorizations by majority votes.

#### E. Closing the Books

No later than August 31, the Town Accountant will do the following to close the books:

- Conduct a reconciliation of each fund type in turn (including transfers between funds) and, when completed, close each fund in the general ledger.
- Zero out all open encumbrances from the prior fiscal year.
- Verify the new opening balances of all special revenue funds.
- Calculate the general fund's unreserved fund balance.

#### F. Submissions to the Division of Local Services (DLS)

Submissions to DLS will comply with the time frames listed below.

Town Accountant:

- Snow and ice data sheet September 15
- Community preservation surcharge report (CP-1) September 15

(with the Principal Assessor )

- Combined balance sheet and supporting documents September 30
- Schedule A October 31
- Community preservation fund report (CP-2) October 31

Town Accountant and Treasurer:

- Statement of indebtedness September 30
- Treasurer's year-end cash report September 30
- Cash reconciliation September 30
- Schedule of outstanding receivables September 30

#### **References.**

M.G.L. c. 44, § 33B

M.G.L. c. 64, § 64

M.G.L. c. 59, § 5

Phillipston policies on Tax Enforcement, Grants Management, and Reconciliations

DLS Informational Guideline Release 17-13: *Appropriation Transfers*

Governmental Accounting Standards Board Statement 1: *Objectives of Financial Reporting*

Government Finance Officers Association Guidance: *Timely Financial Reporting*