

TOWN OF BERLIN

FINANCIAL POLICY MANUAL

DECEMBER 2021



DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

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BERLIN MASSACHUSETTS

FINANCIAL POLICIES MANUAL



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FINANCIAL PLANNING POLICIES

ANNUAL AUDIT

PURPOSE

To ensure the reliability, accuracy, and completeness of year-end financial statements and obtain independent verification that proper internal controls are in place to protect public assets, this policy sets guidelines for the Town's annual engagement with an external audit firm.

APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none">▪ Select Board in its overall responsibility to safeguard the Town's fiscal health▪ Town Administrator's role as the chief financial and administrative officer▪ Administrative Financial Team (AFT) members and any other Town employees whose activities are subject to being audited
Scope:	<ul style="list-style-type: none">▪ Goals and objectives for the Town's annual engagement with an independent audit firm

POLICY

The Town commits to having its financial statements audited annually by a certified public accounting firm ("the auditor"). Every audit contract will further include a requirement to review the Town's financial management practices and report on any identified deficiencies in a management letter.

A. Auditor Selection

To ensure the opportunity for periodic new perspectives on financial practices, the Town will solicit competitive bids from audit firms at six-year intervals. In compliance with state statute, the contract will be awarded to the lowest qualified bidder with a good municipal auditing reputation (i.e., "responsive and responsible" vendor). If the Town selects its incumbent auditor, the firm must agree to rotate audit managers.

B. Audit Engagement

Under the Town Administrator's direction, the Town Accountant will coordinate the auditor's access to any requested accounting records, written procedures, or other documents. Every department head, official, or employee must respond to any such request timely and make themselves available to answer any auditor questions.

Under the vendor contract, the auditor will be required to provide the Town Administrator with preliminary findings and present final audit and management letter results at a joint meeting of the Select Board and Finance Committee.

C. Corrective Action Plan

Whenever the auditor identifies a procedural weakness or deficiency, the auditor will describe it in a management letter citation. Upon receiving a preliminary management letter, the Town Administrator will work with AFT members, and any other relevant Town employees, to compose a written response to each citation, explaining the Town's corrective action plan (CAP) for the identified issue(s). This will typically require them to identify the citation's root cause(s) and then determine

what controls must be implemented to correct the cause(s), consulting further with the auditor when necessary.

The Town Administrator will separately provide the Select Board with a CAP report that explains the plans in more detail, including the responsible parties and anticipated time frames for implementing the controls. Additionally, the status of CAPs will be an agenda item at each monthly AFT meeting until the Town Administrator is satisfied the new controls are working properly. The Select Board will hold the Town Administrator and applicable financial officers accountable for any citations that repeat in a subsequent year.

D. Time frames and Reporting

Through adherence with the Reconciliations policy, it is the Town's goal to ensure the auditor can complete the audit and management letter by March of the year following the fiscal year-end closing. The Town Administrator will provide copies of the final versions of both reports to the Division of Local Services within two weeks of receipt.

REFERENCES

[Acts of 2018, Chapter 384](#)

Berlin policies on Administrative Financial Team, Procurement Conflict of Interest, Reconciliations

MA Office of the Inspector General guidance: [A Local Official's Guide to Procuring and Administering Audit Services](#)

DLS Best Practice: [Annual External Audits](#)

Government Finance Officers Association Guidance: [Audit Procurement](#)

EFFECTIVE DATE

This policy was adopted on [date].

CAPITAL PLANNING

PURPOSE

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

APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none">▪ Select Board, Finance Committee, and Capital Planning Committee in their budget decision-making roles▪ Town Administrator and Town Accountant job duties▪ All department heads in planning for and requesting capital projects
Scope:	<ul style="list-style-type: none">▪ All current and proposed capital projects for assets owned by the Town▪ Included are projects for which the Town may seek Community Preservation Act (CPA) financing. However, this policy does not govern the procedures and decision making of the CPA Committee, which has sole budget-making authority for CPA funds.

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.

In bylaw, Berlin established a Capital Planning Committee (CPC) composed of one ex officio Finance Committee member, two members appointed by the Select Board, and one each appointed by the Planning Board and Moderator. The committee is charged to review and prioritize capital project requests, analyze funding options and their impacts, and recommend to the Select Board and Finance Committee an annual capital budget and long-term capital improvement plan (CIP). Per the bylaw, no capital special article shall be included in a town meeting warrant without the CPC's prior review, with exceptions for urgent circumstances or a valid citizens' petition (M.G.L. c. 39, § 10).

By special act, the Town Administrator is Berlin's chief financial officer with overall responsibility for developing and monitoring the operating and capital budgets. The act also charges the position with maintaining a complete inventory of town assets, as well as annually submitting a five-year CIP to the Select Board after considering the CPC's recommendations.

A. Definition of a Capital Improvement

A capital improvement is a tangible asset or project estimated to cost over \$10,000 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 renovations of existing capital items that extend their useful lifespans, as distinguished from normal operating expenditures
- Major improvements to physical infrastructure, such as streets and stormwater drains

- 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 \$10,000

B. Capital Asset Inventory

To support a systematic acquisition and replacement schedule, the Town Administrator, with the Town Accountant’s assistance, will maintain and annually update 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 Town Administrator will solicit capital project requests from department heads, assemble the responses, and provide them to the CPC. The Town Administrator will also provide the CPC with the most recent multiyear CIP, with relevant status updates for the current fiscal year.

When reviewing current-year project requests, the CPC will evaluate and prioritize the 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

D. Multiyear Capital Improvement Plan

The CPC will provide the Town Administrator with a report of its recommendations for the forthcoming’s year’s capital budget and for updates to the CIP. The committee will also present its recommendations to a joint meeting of the Select Board and Finance Committee. The CIP will include a capital budget for the upcoming fiscal year and a four-year projection of capital needs and expenditures that details their estimated costs, descriptions, and anticipated funding sources. The Town Administrator will review the CPC’s recommendations before presenting an operating budget, capital budget, and updated CIP to the Select Board.

E. Capital Financing

Annually, the Town will strive to maintain two to three percent of the general fund operating budget, net of debt, on capital investment allocations. The CIP shall be prepared and financed in accordance with the following principles:

- Short-term debt may be used to fully finance purchases with useful lifespans under 10 years.
- In accordance with Berlin’s Debt Management policy, the Town will restrict long-term debt funding to projects with lifespans greater than 10 years and costs exceeding \$100,000.
- Before any long-term, bonded capital project is recommended, the project’s annual operating costs and debt service costs shall be identified.
- Special revenue sources (e.g., grants, revolving funds) shall be evaluated as funding options whenever practical.
- 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.

REFERENCES

[M.G.L. c. 39, § 10](#)

[M.G.L. c. 41, § 106B](#)

[Acts of 2018, Chapter 384](#)

Berlin policies on Debt Management, Forecasting, Financial Reserves, and Special Purpose Appropriations

Division of Local Services (DLS) Best Practice: [Presenting and Funding Major Capital Projects](#)

DLS Financial Management Guidance: [Capital Improvement Planning Manual](#) and [Capital Improvement Planning Guide](#)

EFFECTIVE DATE

This policy was adopted on [date].

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, and sustain capital investment capacity. It can also help the Town to maintain or enhance a favorable bond rating so as to achieve long-term interest savings.

APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none">▪ Board of Selectmen, Town Administrator, Finance Committee, and Capital Planning Committee in their budget decision-making roles▪ Treasurer's debt management responsibilities▪ Town Accountant's budget analysis and reporting duties
Scope:	<ul style="list-style-type: none">▪ All short- and long-term debt obligations as permitted to be issued under state law, including general obligation bonds, revenue bonds, bond anticipation notes (BANs), revenue anticipation notes (RANs), grant anticipation notes (GANs), and lease/purchase agreements

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 meet short-term cash flow needs. The Town may also refinance existing debt. The Town will issue and manage debt obligations so as to obtain the best long-term financial advantage and will limit the amount of debt to minimize the impact on taxpayers. The Town will not issue debt obligations to construct, reconstruct, or purchase capital assets that can be acquired with current revenues.

The Town may issue short-term debt (by a BAN, RAN or GAN) when it is necessary to fund immediate cash requirements, as bridge financing in advance of receiving the anticipated funding. Short-term financing also makes sense when it allows the Town to take advantage of a lower interest rate, when savings are to be had from aggregating issuances, or when market conditions are such that postponing the issuance of long-term debt for the greater portion of a project's cost may be a prudent option.

A. Debt Financing

In financing with debt, the Town will:

1. 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.
2. Use available funds to the greatest extent possible to reduce the amount of borrowing on all debt-financed projects.
3. Confine long-term borrowing to capital projects that cost at least \$100,000 and have at least 10 years of useful life or whose useful lifespans will be prolonged by at least 10 years.
4. Refrain from using debt to fund any recurring purpose, such as current operating and maintenance expenditures.

5. Consider using revenue bonds, special assessment bonds, or other types of self-supporting bonds instead of general obligation bonds whenever possible.
6. Use special assessments, betterment assessments, and similar dedicated revenues to fund long-term debt.
7. Retire any debt obtained through a BAN no later than six months after the date that its associated capital project is completed. If there is a financial advantage to deferring the issuance of permanent debt, the Town will make annual reductions to the outstanding principal as if the permanent debt had been issued. This will prevent the Town from carrying any BAN beyond the period in which it is necessary, reduce the interest rate risk the Town will face, and help ensure the timely close out of capital projects.

B. Debt Limits

The Town will adhere to these debt parameters:

1. As a control for maintaining consistent capital investment, the Town will seek to replace maturing debt obligations with new issuances so that year-to-year debt service is maintained at a target level representing two to four percent of general fund revenues.
2. 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.
3. 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.
6. For new long-term debt, the Town will pursue net direct debt service schedules with annual principal and interest payments (net of any reimbursements or dedicated revenue sources) that are sustainable using recurring revenues.

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. Disposition of Surplus Bond Proceeds

When a completed or discontinued project has a surplus balance from bond proceeds, the Town will apply the surplus as follows:

- For a completed project with a balance less than \$50,000, the Select Board will vote to apply it to any existing debt service obligation.
- For a completed project with a balance of \$50,000 or greater, town meeting will be presented with an article to appropriate the balance for another purpose.
- For a project that was discontinued regardless of the surplus amount, town meeting will be presented with an article to abandon the project, by a two-thirds vote, and to appropriate the balance for a new purpose.

In the latter two circumstances above, the expenditure being offset by the surplus must have a purpose for which the Town may authorize a loan for an equal or longer period of time than that for which the original loan was issued.

F. 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.

G. Reporting

1. The Treasurer/Collector will report to the Select Board and Town Administrator 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 Berlin’s Annual Town Report.
3. The Town Accountant, with the Town’s financial advisor, will file an annual audit report and official disclosure statement within 270 days of the end of the fiscal year.

REFERENCES		
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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

Berlin's 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](#)

EFFECTIVE DATE

This policy was adopted on [date].

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, the Town 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 borrowing costs.

APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none">▪ Board of Selectmen, Town Administrator, and Finance Committee in their budget decision-making roles▪ Town Accountant and Board of Assessors job duties
Scope:	<ul style="list-style-type: none">▪ Goals for and appropriate use of general fund reserves, including free cash, stabilization funds, and overlay surplus

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. Adherence to this policy will help the Town withstand periods of decreased revenues and control spending during periods of increased revenues. In total for the general fund reserves under this policy, the Town will strive to maintain a minimum funding level of 12-15 percent of its annual operating budget. Equating to two months' worth of operating expenditures, this is a generally accepted reserve target for small communities with modest budgets and limited access to the bond market.

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.

The Town will strive to realize year-to-year free cash certifications equal to three to five percent of the annual general fund budget. To achieve this, the Town Administrator will propose budgets with conservative revenue projections, and department heads will carefully manage their appropriations to produce excess income and budget turn backs.

The Town will avoid using free cash to support any recurring operational costs and instead limit its use to funding nonrecurring costs, building reserves, and offsetting unfunded liabilities. Each year, either 25 percent of the certified free cash amount or \$250,000, whichever is greater, will be set aside so that it can provide a starting balance for the next year's free cash certification. Above this annual set-aside amount, the Town will plan to appropriate free cash as follows:

- At least 20 percent and no more than 30 percent: cash capital budget
- 15 percent or \$150,000, whichever is less: other, noncapital special articles (e.g., snow and

ice deficit, hot top, building maintenance, master plan updates, etc.)

- At least 10 percent: capital stabilization fund to achieve this policy's target balance
- 10 percent: general stabilization
- 10 Percent: other postemployment benefits (OPEB) trust fund¹

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. The town currently has four stabilization funds as follows:

General stabilization fund: The Town will endeavor to maintain a balance in this fund in the range of seven to ten percent of the general fund budget. Withdrawals from the fund should only be used to mitigate emergencies or other unanticipated events and for one-time capital expenditures. When possible, withdrawals of funds should be limited to the amount available above the seven percent minimum target level. If any necessary withdrawal drives the balance below the minimum level, the withdrawal should be limited to one-third of the fund's balance. Further, the Town Administrator will develop a detailed plan to replenish the fund to the minimum level within the next two fiscal years.

Capital stabilization fund: The Town will appropriate annually to this fund so that over time it achieves a minimum target balance of two percent of the Town's annual general fund budget.

Public safety stabilization fund: All revenues from the Town's development agreements with Highland Commons and Riverbridge Village are directed to this fund. The funds are used to support police training programs, public safety equipment purchases, and public safety operational expenditures.

Energy Committee stabilization fund: Monies in this fund are dedicated to supporting energy efficiency, water conservation, and other Green Community projects. No target level is established.

C. Overlay Surplus

The purpose of the overlay reserve is to offset unrealized tax revenue resulting from abatements and exemptions. It can be used for other purposes only after it is determined to have a surplus. Therefore, unlike the other two types of reserves, this policy does not set a consistent, specific funding target for it. Rather, each year as part of the budget process, the Board of Assessors will vote to raise an overlay amount on the annual tax recapitulation sheet based on the following:

- Current balance in the overlay account
- Three-year average of granted abatements and exemptions
- Abatement liability of cases pending before, or on appeal from, the Appellate Tax Board
- 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 Town Accountant, Town Administrator, and Select Board 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

¹As of December 2021, the town has not accepted M.G.L. c. 32B, § 9A, which would establish a OPEB liability. This policy provision would be applicable if the acceptance happens in the future.

overlay balance exceeds the amount of potential liabilities, the Select Board may request that the Board of Assessors vote to declare it as surplus and available for use in the Town's capital improvement plan or for any other one-time expense.

REFERENCES

[M.G.L. c. 40 § 5B](#) [M.G.L. c. 59 § 25](#) [M.G.L. c. 44 § 53F½](#)

Berlin policies on Capital Planning and Forecasting

DLS Best Practice: [Free Cash](#)

DLS Informational Guideline Releases 17-20: [Stabilization Funds](#) and 17-23: [Overlay and Overlay Surplus](#)

Government Finance Officers Association Best Practice: [Fund Balance Guidelines for the General Fund](#)

EFFECTIVE DATE

This policy was adopted on [date].

FORECASTING

PURPOSE

To assess the range of choices available to budget decision makers when determining how to allocate resources, this policy establishes guidelines for creating projections of revenues and expenditures as part of the annual budget process and multiyear fiscal planning. By presenting the future implications of current budget scenarios, forecasting helps local officials to make strategic plans for lasting fiscal sustainability and future investment.

APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none">▪ Town Administrator and Assessing Director job duties▪ Board of Selectmen, Finance Committee, and Capital Planning Committee in their budget analysis and decision-making responsibilities
Scope:	<ul style="list-style-type: none">▪ Creation, revision, and year-to-year conversion of a multiyear forecast of revenues and expenditures as part of the annual budget process▪ Guidelines for formulating the assumptions that form the basis for forecast projections

To determine the Town's operating capacity for future fiscal years, the Town Administrator will annually create a detailed forecast with five-year projections of revenues and expenditures. The Select Board, Finance Committee and Capital Planning Committee will use the forecast to support their decision making, for the upcoming year's operating and capital budgets and the long-range capital improvement plan. To guard against potential deficits, as a general rule, the Town Administrator will purposely estimate revenues on the low end of possibility.

Early in the annual budget process, the Town Administrator will present the initial forecast to a joint meeting of Select Board, Finance Committee, and Capital Planning Committee. Throughout the budget process, these boards will use the forecast to inform their decision making. In addition, the Town Administrator will promptly revise the forecast projections whenever circumstances change and provide updates to the boards.

With each new budget year, the Town Administrator will review the performance accuracy of prior-year forecasts and any evolving factors related to the underlying assumptions to consider how projections in the new forecast may need to be adjusted. Factors to consider include changes in laws, regulations, inflation rate, interest rate, town goals, and policy decisions.

POLICY

A. Guidelines for Revenue Assumptions

The following principles shall guide the formulation of revenue assumptions:

- Projections of the property tax levy will be confined by the limits of Proposition 2½ (absent any overrides) and take into consideration consensus decisions regarding the Town's level of excess levy capacity.
- New growth projections will take into account the Town's three-, five- and 10-year averages by property class and advice from the Assessing Director.

- The levy limit's relationship to the levy ceiling (which is 2.5 percent of the Town's real and personal property total value) will be annually assessed to identify potential override capacity and guard against the levy limit approaching or hitting the ceiling, which would impact future levy growth.
- Local aid projections will correspond with economic cycles, while Chapter 70 educational aid will reflect trends in school choice, enrollments, tuition, and charter assessments.
- Estimates for local receipts (e.g., motor vehicle excise, inspection fees, etc.) will not exceed 90 percent of the prior year's actual collections without firm evidence that higher revenues are achievable.
- One-time revenues will not be used in the projections to fund ongoing or recurring operating expenditures.
- Revenues from grant programs will be reviewed annually to determine their sustainability.
- The Town will build and maintain reserves in compliance with its Financial Reserves policy.

B. Guidelines for Expenditure Assumptions

Annually, the Town Administrator will determine a particular budget approach for forecasting expenditures, either maintenance (level service), level funded, or one that adjusts expenditures by specified increase or decrease percentages (either across the board or by department). A maintenance budget projects the costs needed to maintain the current staffing level and mix of services into the future. A level-funded budget appropriates the same amount of money to each municipal department as in the prior year and is tantamount to a budget cut because inflation in mandated costs and other fixed expenses still must be covered.

The following principles shall guide the formulation of expenditure assumptions:

- The Town's current level of services will provide the baseline for projections.
- Historical trends in the growth of operating expenses and employee benefits will prevail.
- Trends in enrollments, school choice, tuition, and charter assessments will be factored.
- The Town will cultivate a strong relationship with the Berlin-Boylston Regional School District's School Committee to receive timely, long-term estimates of district assessments.
- Only currently known increases in employee compensation plans will be factored into the projections, leaving any potential, future cost-of-living adjustments to be calculated independently of the forecast.
- The Town will pay its annual pension contributions and make appropriations to amortize its other postemployment benefits (OPEB) liability.¹
- The Town will pay all existing debt service obligations and adhere to its Capital Planning and Debt Management policies.

REFERENCES

[M.G.L. c. 44, §§ 20, 53A, 53A½, 63, and 63A](#)

Berlin policies on Capital Planning, Debt Management, Financial Reserves, and Grants Management

¹ As of December 2021, the town has not accepted M.G.L. c. 32B, § 9A, which would establish a OPEB liability. This policy provision is to would be applicable if the acceptance happens in the future.

DLS Informational Guideline Release 17-21: [Borrowing](#) and Best Practice: [Revenue and Expenditure Forecasting](#)

Government Finance Officers Association article: [Financial Forecasting in the Budget Preparation Process](#)

EFFECTIVE DATE

This policy was adopted on [date].

INVESTMENTS

PURPOSE

To ensure the Town's public funds achieve the highest possible rates of return that are reasonably available while following prudent standards associated with safety, liquidity and yield, this policy establishes investment guidelines and responsibilities. In addition, the policy has been designed to comply with the Governmental Accounting Standards Board's requirement that every community define and disclose its investment risk management strategy.

APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none">▪ The Treasurer/Collector in the statutory duty to invest Town funds▪ Any investment advisor(s) with whom the Treasurer/Collector contracts
Scope:	<ul style="list-style-type: none">▪ Goals, objectives, and allowable practices related to all of the Town's short-term operating funds and its long-term reserve, investment, and trust funds▪ Excluded are Town funds invested by the Worcester Regional Retirement System

POLICY

The Treasurer/Collector 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 prudent investment standards. The Treasurer/Collector will manage all investments so as to achieve a fair market average rate of return within the context of all relevant statutory, safety, and liquidity constraints.

A. Investment Objectives

In priority order, the Treasurer/Collector's investment objectives shall be:

- **Safety:** Safety of principal is foremost, and the Treasurer/Collector will adhere to this policy's risk mitigation strategies for the purpose of preserving capital in the overall portfolio.
- **Liquidity:** The investment portfolio must remain sufficiently liquid to enable it to meet all reasonably anticipated operating requirements.
- **Yield:** The investment portfolio will be designed with the objective of attaining a fair market average rate of return throughout budgetary and economic cycles, in accordance with the Town's investment risk constraints and the portfolio's cash flow characteristics.

The Treasurer/Collector will ensure that all **short-term operating funds**, such as general funds, special revenue funds, bond proceeds, and capital project funds remain sufficiently liquid to pay all reasonably anticipated operating requirements and debt service.

For **trusts and other long-term funds** (e.g., stabilization funds, cemetery perpetual care, and any similar funds set aside for long-term use), liquidity is less important than growth. The Treasurer/Collector will pool any individual funds that are invested in the same institution while also maintaining each fund in its own account so as to allow for the proper proportioning of interest and any realized and unrealized gains or losses. All trust funds are under the Treasurer/Collector's control unless otherwise directed by their particular donor(s).

B. Conflict of Interest

The Treasurer/Collector is prohibited from making a deposit in any bank, trust company, or banking company for which he or she is or has been an officer or employee at any time in the last three years. The Treasurer/Collector 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/Collector will disclose to the Select Board any large personal financial investment positions or loans that could be related to the performance of the Town's investments. Further, when contracting for any investment services, the Treasurer/Collector will adhere to requirements under [M.G.L. c. 30B](#) and the Town's Procurement Conflict of Interest policy.

C. Investment Instruments

Under this policy, and in compliance with state statutes, the table below defines allowable investment instruments and guidelines.

Instrument Type	Short-term Funds	Long-term Funds
Depository accounts in Massachusetts state-chartered banks, including savings, checking and NOW accounts, and money market deposit accounts	No limitations	No limitations
Certificates of deposit (CDs) in Massachusetts state-chartered banks only	Unlimited amounts and maturity up to three years	No limits on amounts or maturity dates
The Massachusetts Municipal Depository Trust (MMDT) , the State Treasurer's investment pool for public entities.	No limitations and the pool is liquid	No limitations
U.S. Treasury or other U.S. government agency obligations	Unlimited amounts and up to one year from date of maturity	No limitations
Bank-issued repurchase agreements ("repos") secured by U.S. Treasury or other U.S. government agency	Maximum maturity of 90 days	Repos are by their nature short-term and therefore not appropriate for the growth objective of long-term funds.

Instrument Type	Short-term Funds	Long-term Funds
Money market mutual funds	<ul style="list-style-type: none"> ▪ Must be registered with the Securities and Exchange Commission (SEC) ▪ Must have the highest possible rating from at least one rating organization ▪ These are liquid investments, so maturity term is not applicable 	<ul style="list-style-type: none"> ▪ Must be registered with the SEC ▪ Must have the highest possible rating from at least one rating organization
Common and preferred stock, investment funds, and any other type of investment instrument specified in the List of Legal Investments	Not allowed	<ul style="list-style-type: none"> ▪ The Town's aggregate amount of long-term funds must exceed \$250,000 to invest in these. ▪ Investment in mortgages, collateral loans, and international obligations is prohibited. ▪ Cannot invest more than 1.5% of a particular fund in the stock of any single banking or insurance company ▪ Cannot invest more than 15% of total aggregated funds in banking or insurance company stocks

Note: This policy confines the allowed depository accounts only to those offered by Massachusetts state-chartered banks, a provision that is more restrictive than state statutes and the Massachusetts Collectors & Treasurers Association's sample investment policy statement. The reason is that the MA-chartered banks' depository accounts are fully insured through a combination of the Federal Deposit Insurance Corporation and the state's Depositors Insurance Fund. However, funds placed in these banks' mutual funds or annuity products are not covered by either insurance, and the Treasurer/Collector must manage those and any other type of investments in accordance with other applicable provisions of this policy.

D. Risk Tolerance Guidelines

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

Type of Risk	Mitigation Strategy
<p>Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.</p>	<ul style="list-style-type: none"> ▪ Investments in any of the following are safe from credit risk: state-chartered banks' depository accounts (including CDs), obligations backed by the U.S. Treasury or other U.S. government agency, and the MMDT. ▪ For any other investments, the Treasurer/Collector will only purchase investment grade securities highly concentrated in those rated A or better.
<p>Concentration of credit risk is the risk arising from all funds being invested in a single issuer.</p>	<p>The Treasurer/Collector will diversify the portfolio among multiple issuers/institutions (see Section E).</p>
<p>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.</p>	<p>The Treasurer/Collector will negate this risk by only making deposits at MA-chartered banks.</p>
<p>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.</p>	<ul style="list-style-type: none"> ▪ The Treasurer/Collector will review the financial institution's financial statements and its advisor's background to ensure it has proven financial strength, capital adequacy, and an overall positive reputation in the municipal investment industry (see Section F). ▪ If a security is to be held by a third-party custodian, the Treasurer/Collector must approve that party and verify that the security is held in the Town's name and tax ID number, as evidenced by its CUSIP (Committee on Uniform Security Identification Procedures) code.
<p>Interest rate risk is the risk that interest rate changes will adversely affect an investment's fair market value.</p>	<p>The Treasurer/Collector will negotiate for competitive interest rates that are locked in for long terms.</p>
<p>Foreign currency risk is the risk that an investment will lose value as the result of an unfavorable exchange rate.</p>	<p>The Treasurer/Collector will negate this risk by not investing in any instruments with foreign currency exposures.</p>

E. Diversification

The Treasurer/Collector will invest in a diverse portfolio to prevent overconcentration in any institution, issuer, or maturity type. Apart from money placed in the MMDT or obligations backed by U.S. government agencies, the Treasurer/Collector will invest no more than 25 percent the Town's

long-term funds with a single financial institution. In addition, the Treasurer/Collector will ensure compliance with the various allowable percentage thresholds for specific investment instruments and issuers set forth in the List of Legal Investments.

F. Selection of and Relationship with Financial Institutions

When selecting from among MA-chartered banks to hold short-term funds, the Treasurer/Collector will consider their fee structure, service efficiencies, and account management control features. For investing long-term funds, the Treasurer/Collector will also assess the soundness, stability and reputation of prospective financial institutions and dealers/brokers. Brokers must be recognized, reputable dealers and members of the Financial Industry Regulatory Authority. The Treasurer/Collector will require any brokerage houses and brokers/dealers wishing to do business with the Town to provide the following:

- Audited financial statements
- Form ADV Part 2 showing the broker/dealer to be actively registered with both the SEC and Massachusetts Secretary of State's Office and providing information on the types of services offered, fee schedule, disciplinary information, conflicts of interest, and the educational and business background of management and key advisory personnel
- Statement that the broker/dealer has read and will comply with this policy

The Treasurer/Collector will also consult the [Veribanc](#) rating service to select and monitor financial institutions. The Treasurer/Collector may invest in institutions rated green by Veribanc and will continue to review their ratings quarterly. If a bank's rating turns yellow, the Treasurer/Collector will request the bank provide a written explanation with an expected timetable for changing back to green. If the rating remains yellow for a second quarter, the Treasurer/Collector will consider liquidating all funds that are uninsured or uncollateralized. If any rating becomes red, the Treasurer/Collector will remove the money from the banking institution.

The Treasurer/Collector will review all banking and financial services at least annually to ensure their quality and the competitiveness of their fee structure and interest rates. On an annual basis, the Treasurer/Collector will also send letters to banks in the local region requesting them to report all usage of the Town's tax identification number as a means to ensure the number is used only by the Treasurer/Collector and no outside entities.

G. Standards of Care

The Treasurer/Collector must review, understand and comply with the state's Prudent Investor Act ([M.G.L. c. 203C](#)). The Treasurer/Collector shall be relieved of personal responsibility for any individual security's credit risk or market price changes, provided that its purchase and sale have been carried out in accordance with the Act and the provisions of this policy.

H. Reporting Requirements

The Treasurer/Collector will assess investment activity and keep the Select Board 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
- Statements on the degree of compliance with the provisions of this policy

REFERENCES

[M.G.L. c. 30B](#)

[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. 110A, § 201](#)

[M.G.L. c. 167, § 15A](#)

[M.G.L. c. 203C](#)

Berlin policy on Procurement Conflict of Interest

Governmental Accounting Standards Board Statement 40: [Deposit and Investment Risk Disclosures](#)

Massachusetts Collectors & Treasurers Association: [Treasurer's Manual](#)

MA Division of Banks [List of Legal Investments](#) and database of [MA-chartered banks](#)

Massachusetts Depositors Insurance Fund [FAQs](#)

MA Secretary of State webpage, [Registration Inspections, Compliance and Examinations Section](#)

SEC webpage [Form ADV Information](#)

EFFECTIVE DATE

This policy was adopted on [date].

SPECIAL PURPOSE APPROPRIATIONS

PURPOSE

To maximize the Town's resources through the efficient identification of unused appropriated funds, this policy lays out protocols for continuing, closing, and reporting on special purpose appropriations.

APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none">▪ Select Board, Finance Committee, and Capital Planning Committee in their budget decision making▪ Town Administrator as the Town's chief financial officer▪ Town Accountant job duties▪ Job duties of department heads, boards, and committees with expenditure authority for special articles (all referred to here as department heads)
Scope:	<ul style="list-style-type: none">▪ Monitoring, reporting, continuing, and closing special purpose appropriations

BACKGROUND AND DEFINITIONS

Special purpose appropriation – A budget appropriation having a spending purpose whose time of completion may extend beyond a single fiscal year. In most but not necessarily all cases, special purpose appropriations are for capital projects and presented to town meeting in warrant articles separate from the town-wide budget article.

Continued appropriation account – At fiscal year-end, if the expenditure of a special purpose appropriation is still pending, the town accountant must create this account for it in the forthcoming year's general ledger to carry over its balance within the new year's operating budget.

Because the time frame for expending a special article is open-ended, the Town must be proactive in monitoring the expenditure status of each special purpose appropriation account and promptly close it when called for so that any unexpended balance may then be made available for other purposes or potentially become available to augment the Town's free cash certification.

There are two types of special appropriation closures, based on the purchase or project status:

1. **Completed:** The money was spent for the approved purpose, and there is no balance or only a small balance remaining.
2. **Canceled:** A determination has been made that the spending purpose is no longer necessary, and only a portion or none of the appropriation has been spent.

POLICY

As a general rule, the Town will administratively manage the continuation or closure of special purpose appropriations in accordance with the provisions of this policy without the need for further legislative action by town meeting.

Some communities only review the status of special appropriation funds at year-end. This policy calls for ongoing, monthly reviews of these appropriations so that any residual or otherwise static balances

may receive timely consideration as a potential funding source for a new purpose in the next town meeting or to cover any year-end deficit by line-item transfer.

A. Reporting Appropriation Status Updates

Each month, the Town Accountant sends updated expenditure reports to all department heads. If a special appropriation fund's purpose was accomplished by an expenditure that took place during the month being reported, the associated department head will email the Town Accountant to notify her of this within one week of receiving the expenditure report.

If the completed account reported by the department head has a residual balance of less than \$5,000, the Town Accountant will close it in the general ledger, as described in Section C below. For an appropriation with a balance above \$5,000, the Town Accountant will take no further immediate action but will report it in a running list of all special purpose appropriation accounts with residual balances accompanying the next monthly expenditure report sent to the Town Administrator.

From time to time, changing circumstances may lead to a decision that the spending purpose of a special appropriation is no longer necessary. When this happens, the decision maker will notify the Town Accountant within one month that the appropriation has been canceled and explain why. The Town Accountant will also include all canceled special purpose appropriations with her monthly budget reports to the Town Administrator.

Department heads will also respond to the Town Accountant's year-end closing memo with the status of any special appropriations that were their responsibility during the fiscal year, including both the open projects that need a continued appropriation for the forthcoming year and those that were completed or canceled in that year.

B. Repurposing Unexpended Funds

The Town Administrator will maintain a detailed spreadsheet of the completed and canceled special purpose appropriations reported by the Town Accountant. The Town Administrator will refer to it to provide prioritized funding sources when developing budgets for annual or special town meetings and when reviewing the status of the town-wide budget at year-end for potentially necessary line-item transfers. No later than June 30 each year, the Town Administrator will write a memo that contains a list of any account balances that are not being proposed for new purposes and direct the Town Accountant to close those accounts to their originating funding sources.

In the event that the Town's budget framers desire to reappropriate a surplus balance in a special purpose appropriation account to a new purpose, town meeting approval is required, with two exceptions. One is the exercise of the Select Board's and Finance Committee's combined authority to do year-end, line-item transfers. The other relates to surplus proceeds of bond-funded projects (see Section E of the Debt Management policy).

When proposing a new use for the surplus funds of a special purpose appropriation, the Town Administrator, Select Board, Finance Committee, and Capital Planning Committee will be guided by provisions in the Town's adopted financial planning policies. However, the first priority for the Select Board and Finance Committee in their year-end transfer actions will be the prevention of budget deficits. The Community Preservation Committee has sole authority for making decisions about

proposed new uses of community preservation funds. Any new use of surplus funds that derived from a restricted reserve must conform to the restrictions of said reserve.

C. Accounting Guidelines for Administrative Closeouts

When closing out an account, the Town Accountant’s transfers of surplus funds will comply with the following guidelines based on their funding sources:

- Tax levy or free cash: Transfer to undesignated fund balance.
- Restricted reserve (e.g., stabilization, community preservation funds, etc.): Transfer back to the reserve of origin.
- For bond-funded projects, see Section E of the Debt Management policy.

REFERENCES

[M. G.L. c. 44, § 33B](#)

Berlin policies on Administrative Financial Team, Capital Planning, and Debt Management

Division of Local Services Informational Guideline Release 2017-13: [Appropriation Transfers](#)

EFFECTIVE DATE

This policy was adopted on [date].

FINANCIAL OPERATIONS POLICIES

ADMINISTRATIVE FINANCIAL TEAM

PURPOSE

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

APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none">▪ All elected and appointed Town officials and employees▪ All other persons acting on behalf of the Town, such as vendors, contractors, volunteers, casual employees, and grant subrecipients
Scope:	<ul style="list-style-type: none">▪ Coordination of ongoing financial operations through regular meetings of an administrative financial team

POLICY

The Town establishes an Administrative Financial Team (AFT) consisting of the Town Administrator, Town Accountant, Treasurer/Collector, and Assessing Director. Meetings of the AFT will be scheduled at a consistent time each month and more frequently when necessary. The intent of the meetings will be to help the Town's finance officers 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.

Prior to each meeting, the Town Administrator will distribute an agenda to the team members. Appropriate agenda topics 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
- Proposing internal audits
- Reviewing the effectiveness of internal controls, including the status of monthly reconciliations
- Developing corrective action plans for citations in the external auditor's management letters
- Coordinating submissions to the Division of Local Services
- Review the status of special projects assigned by the Select Board or others
- Pursuing professional development and training opportunities

REFERENCES

Berlin polices on Annual Audit, Capital Planning, Forecasting, and Reconciliations

EFFECTIVE DATE

This policy was adopted on [date].

AMBULANCE RECEIVABLES

PURPOSE

To mitigate potential liabilities from uncollected accounts associated with Town's ambulance-related emergency medical services (EMS), this policy establishes guidelines for managing ambulance receivables.

APPLICABILITY

Applies to:	<ul style="list-style-type: none">▪ Fire Chief (or his designee) in managing the Town's ambulance billing contract▪ Related job duties of the Public Safety Administrative Assistant, Town Administrator, Town Accountant, and Treasurer/Collector▪ The Town's ambulance billing vendor, currently Coastal Medical Billing Inc. ("Coastal Billing")▪ All persons transported by the Town's ambulances ("patients")
Scope:	<ul style="list-style-type: none">▪ Charging, collection, and enforcement of ambulance receivables and writing off uncollectible or hardship-approved accounts

POLICY

Through a service contract with Coastal Billing (as of December 2021), the Town shall uniformly assess EMS charges to all patients who have been provided ambulance transportation, regardless of whether they have third-party health insurance coverage. The Town shall pursue all reasonable measures to collect these charges except when financial hardship waivers are warranted.

A. Charges and Billing

The Public Safety Administrative Assistant will transmit each ambulance transport's service details and patient identification information to Coastal as soon as possible after a transport. Using rates published by the Centers for Medicare and Medicaid Services (CMS), Coastal will assign values to the services detailed in each transport notification to create the ambulance accounts receivable control. To remain consistent with the industry, Coastal will notify the Fire Chief or his designee of any CMS rate changes and recommend corresponding changes to rates under the Town's contract. The Fire Chief or his designee will discuss proposed rate changes with the Town Administrator as part of the annual budget process.

When third-party health care information is available, Coastal Billing will transmit electronic bills to the identified providers. Coastal Billing will mail bills directly to patients whenever third-party information is unavailable or a balance remains after providers have paid their portions of the bills. The Public Safety Administrative Assistant will confirm at least on a monthly basis, that all transports for the prior period have been billed.

B. Collection and Enforcement

Coastal Billing will deposit all payments received into a bank account opened for that purpose and controlled by the Treasurer/Collector. Any Town employee who receives an ambulance payment will turn it over to the Treasurer/Collector for forwarding to Coastal Billing.

If the full payment for any account is not received after the initial bill, Coastal Billing will issue follow-up bills at 30-day intervals but send no more than three patient bills for any single ambulance run.

Upon receipt of specific, written authorizations from the Town Administrator, Coastal Billing will refer delinquent accounts to credit bureaus and collection agencies (as detailed in Section D below).

On a monthly basis, Coastal Billing will provide the Fire Chief or his designee, the Town Accountant, and the Treasurer/Collector with a full accounting of activities, including the following reports, at minimum: transaction detail and summary, deposits summary, aging details, account write-offs, credit adjustments, and requests for disposition. In accordance with the Town's Reconciliation policy, the Treasurer/Collector will review the report as part of the monthly cash reconciliation, and the Town Accountant will complete a monthly reconciliation of ambulance receivables with the general ledger.

C. Review of Receivables

The Public Safety Administrative Assistant will review receivables on a monthly basis, at minimum, and follow up with Coastal Billing, insurance carriers, and other parties as needed to resolve outstanding receivables issues.

The Fire Chief (or his designee) will meet quarterly with the Town Accountant and Town Administrator to confirm all transports have been billed and are included in the receivables, reconcile deposits and outstanding balances, and review Coastal Billing's request for disposition report. At these meetings, the review team will consider recommendations to the Select Board for potential uncollectable write-offs and, based on these discussions, the Fire Chief will prepare a written report of recommendations.

D. Uncollectible Accounts

The Fire Chief will present recommendations on uncollectible accounts to the Select Board. The Select Board shall vote to declare the uncollectible accounts, and the Fire Chief will subsequently notify Coastal Billing to write them off its books. The Fire Chief will also specify to Coastal Billing the uncollectible write-offs with balances over \$200 appropriate for collection agency action and credit clouding. None of these write-off determinations constitute debt forgiveness; Coastal Billing will accept and deposit in the ambulance bank account any payments that may be subsequently received for them.

E. Financial Hardship Requests

All written and verbal communications with patients, whether by Coastal Billing employees or Town officials, will include notice that amounts owed may be waived upon demonstration of financial hardship. A patient seeking a hardship waiver must submit a request in writing to the Fire Chief using the prescribed Hardship Waiver Request form and submit relevant supporting documents.

As the standard for evaluating the hardship request, the Fire Chief will use the poverty guidelines set by the U.S. Department of Health and Human Services (HHS) for the current calendar year. If the Fire Chief determines the patient's income is at or below the HHS guideline level for the applicable household size, the Fire Chief will consult with the Town Administrator prior to sending a write-off

authorization letter to Coastal Billing. Coastal Billing will then write the account off its books and forward notice of this to the Fire Chief. The Fire Chief will provide the Town Accountant and Select Board with copies of all write-off authorization letters with all HIPAA patient information redacted.

F. Privacy Protection

All information received as a result of this policy, including patients' names, addresses, medical histories, and financial information, is protected and exempt from public record classification. Access to and retention of patient information are subject to compliance with federal and state regulations related to medical, personal, and financial information.

G. Reporting and Audit

After conducting a reconciliation of accounts with the Town Accountant, the Treasurer/Collector will provide the Town Administrator and Fire Chief with a quarterly ambulance activity report, including data on collections, aged receivables, and write-offs. The Fire Chief will reconcile this quarterly ambulance activity report against the department's report. The Town Accountant will ensure that an annual, reconciled ambulance receivable balance is including in the Town's year-end financial reports. All ambulance receivable activities are subject to audit by the Town's independent auditor.

REFERENCES

[M.G.L. c. 4 § 7, clause twenty-sixth](#) [M.G.L. c. 40 § 4A](#) and [5F](#) [M.G.L. 93H](#)
[940 CMR 27.00](#) [950 CMR 32.00](#)

[Health Insurance Portability and Accountability Act of 1996](#)

[CMS Ambulance Fee Schedule](#)

US Department Health and Human Services: [Annual Update of the HHS Poverty Guidelines](#)

Town of Berlin's contract with Coastal Medical Billing, Inc.

Berlin's policy on Reconciliations

EFFECTIVE DATE

This policy was adopted on [date].

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 AND SCOPE

Applies to:	<ul style="list-style-type: none">▪ Town Accountant in approving disbursement submissions▪ Town Administrator in approving the disbursement expenditures, with the Select Board as back-up▪ Treasurer/Collector in disbursing funds▪ All department heads and the elected or appointed officials with spending authority (all referred to here as “department heads”) in submitting their requests for expense and payroll disbursements
Scope:	<ul style="list-style-type: none">▪ Managing requests for and disbursements of Town funds to pay accounts payable (“vendor”) liabilities and to compensate employees through payroll

POLICY

No disbursement for any payroll or vendor expense shall occur without the prior approvals of the Town Accountant and Town Administrator. The Select Board will perform the duties outlined here for the Town Administrator whenever the Town Administrator is absent.

No vendor disbursement will be approved unless the Town Accountant has a valid W-9 on file for the payee and receives an original invoice. All invoices must be charged to the proper fiscal year. Payment for any bills payable for a prior fiscal year must be approved by vote of town meeting in accordance with [M.G.L. c. 44, § 64](#). As a tax-exempt organization, the Town will not pay sales tax on any expense.

Every submission for an individual payroll disbursement must be based on an approved time sheet that is retained within the department and accurately summarized in a time and attendance (T&A) report by the department head. Every submission must also be consistent with applicable personal service contracts or classification schedules and the Town’s personnel bylaws and policies. No employee may submit overtime hours (i.e., hours exceeding 40 hours in a week) or hours for any special detail work without the supervisor’s prior approval.

A. 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 disbursement request, attesting to the accuracy of each vendor submission via signature on the coversheet of the invoice(s) and for payroll submissions by electronic signature accompanying emailed Excel reports.
- Timely submitting vendor disbursement requests and T&A reports to the Town Accountant

The **Town Accountant** is responsible for:

- Reviewing all departmental submissions and including each requested item on the vendor/payroll warrant only after validating:

- Procurement laws were adhered to.
- The submission is legal (i.e., it is consistent with the intent of the appropriation).
- No fraud is evident.
- Adequate funds exist.
- Preparing the vendor and payroll warrants and providing them to the Town Administrator
- Ensuring the payroll warrant provided to the Town Administrator balances with the Treasurer/Collector’s preliminary payroll report entered in Harpers
- Updating the general ledger with all vendor and payroll warrant expenditures

The **Treasurer/Collector** is responsible for:

- Entering payroll data in Harpers based on departmental T&A reports
- Reviewing the vendor warrant and withholding from disbursement any amounts owed to the Town by listed payees
- Upon receipt of payroll and vendor warrants signed by the Town Administrator, funding the gross payroll warrant, the Town’s portion of Medicare tax, and the gross AP warrant in the associated bank accounts
- Initiating electronic funds transfers for applicable payees.
- Ensuring that every issued check is imprinted with the accurate disbursement data and “Void if not cashed within one year of issuance” on its front
- Mailing checks to vendors
- Updating the cashbook to document the disbursement activity

The **Town Administrator** (or **Select Board**, as back-up) is 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

B. Manual Disbursements in Exceptional Circumstances

An emergency or other imperative circumstance may compel an allowable exception to the usual disbursement process. In such a rare case, the Treasurer/Collector may issue a manual check for a vendor or payroll liability upon receipt of written authorizations from the Town Administrator and Town Accountant. For the next vendor/payroll warrant, the department head will then submit the amount to the Town Accountant as a no-check transaction.

C. Audit

All disbursement activity is subject to audit by Berlin’s independent auditor.

REFERENCES

[M.G.L. c. 30B](#) [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. 200A, § 9A](#) [Acts of 2018, Chapter 384](#)

Berlin’s Antifraud policy

EFFECTIVE DATE

This policy was adopted on [date].

GRANTS MANAGEMENT

PURPOSE

To ensure efficient and appropriate management of grant-funded programs, this policy sets a framework for evaluating grant opportunities, tracking grant activity, and processing grant revenues and expenditures. Effective grant management helps promote the pursuit of grants that are in the Town's best interest, assure timely reimbursements to optimize cash flow, and guard against year-end account deficits. As a legal contract, every grant agreement must be fulfilled in accordance with its prescribed terms and conditions, and all applicable federal, state, and local regulations. Failure in this regard exposes the Town to legal and financial liabilities and compromises future grant funding.

APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none">▪ Grant project managers within Town departments▪ Select Board, Town Administrator, Town Accountant, and Treasurer/Collector in their related responsibilities
Scope:	<ul style="list-style-type: none">▪ Evaluating grant opportunities▪ Tracking grant activity▪ Processing revenues and expenditures

POLICY

All departments are encouraged to solicit grant funding for projects and programs consistent with the Town's goals. All municipal applications for grants exceeding \$5,000 must receive preapproval by the Select Board. To be eligible for preapproval, there must be sufficient staff available to effectively administer the grant program and perform its required work scope, along with adequate matching requirements (both cash and in-kind).

No department shall expend grant funds until a fully executed grant agreement has been accepted and approved for expenditure by the Select Board. Further, no grant funds shall be used to supplant an existing expense for the purpose of diverting current funds to another use.

Operating departments through their designated grant project manager(s) have primary responsibility for seeking grant opportunities, preparing applications, and managing awarded programs. The Town Accountant is responsible for consulting with project managers on grant budgetary matters, accounting for grants in the general ledger, monitoring grant expenditures for consistency with award requirements, tracking the timeliness of reimbursement requests, and distributing monthly reports of grant expenditures to departments. The Town Accountant will also maintain a database of all grants and grant activity from inception to closure.

A. Grant Opportunity Assessment

Well in advance of a grant application's due date, the departmental project manager will assess the opportunity in consultation with the Town Administrator and Town Accountant. Below are the factors to be considered, at minimum.

Programmatic:

- Alignment of the grant's purpose with the Town's and department's strategic priorities
- Department's capacity to administer the grant through to closeout

- Office space, facilities, supplies, or equipment required
- Ongoing impact of the grant program after it is completed
- Compliance and audit requirements, particularly as they may differ from the Town's

Financial:

- Total anticipated project cost
- Expenditure requirements and anticipated cash flow schedule
- Required cost matching shares and sources, including cash and in-kind
- Staffing requirements, including salary and benefit increases for multiyear grants
- Administration and indirect recapture amounts
- Program income potential

In this stage, the project manager will also develop a continuation plan to address the potential future loss of grant funding, which may include alternative funding proposals or plans for reducing or terminating program positions or components after grant closeout.

B. Grant Application and Award Acceptance

Prior to filing any grant application greater than \$5,000, the project manager will submit a meeting agenda item requesting preapproval from the Select Board with a report summarizing the grant and how it complies with this policy. The Town Administrator will then make a determination as to whether any preapproved application should be submitted to the Town Counsel for a legal review. Following this, the project manager will submit the grant application to the grantor and forward a copy to the Town Accountant.

When a project manager receives notice of any grant award, he or she will submit it as a meeting agenda item for the Select Board to formally accept by signatures and thereby approve the expending of grant funds. The project manager will then send copies of the signed agreement to the grantor and the Town Accountant.

Upon receiving the new grant's documents, the Town Accountant will create new general ledger account to record the grant activity separately from regular expenses. When notified of any amendment or adjustment by the grantor, the project manager will immediately forward the information to the Town Accountant, who will make adjustment(s) to the grant's budget in the general ledger.

C. Grant Financial Management

At the start of a new grant, the Town Accountant and project manager will discuss its requirements and the timing of reimbursement requests (e.g., at the time of expenditure, monthly or quarterly), when applicable.

The project manager will ensure all expenditures made are allowable and consistent with each grant award's requirements. The project manager will submit project invoices to the Accounting Department consistent with the Town's disbursement policy. The project manager will also ensure the proper payroll account codes for grant-funded employees are reported on the department's submission to the Treasurer/Collector as part the regular payroll process.

Because required retirement system remittances and/or general fund benefit reimbursements vary by grant, the Town Accountant will calculate these for each grant and notify project managers of the resulting amounts to include on the AP submissions.

To minimize the use of advance town funds, every project manager will request reimbursements as often as the grant's guidelines allow and always no later than June 30th. In doing so, the project manager will prepare all required reports and requests as detailed in the agreement and submit these to the grantor. Immediately following each submittal, the project manager will send an email notification of the reimbursement request to the Town Accountant and Treasurer/Collector.

The Town Accountant will monitor each grant's deficit balance to assure it is temporary and receives reimbursement within the grant's allowable timeline and always prior to year-end. The Treasurer/Collector will match reimbursements received electronically or by check with their requests and credit the proper revenue lines.

D. Grant Closeout

Upon completion of the project work or grant period, whichever comes first, the project manager will verify that all grant requirements have been met and will send to the Town Accountant a grant closeout package that includes a final report and either a final reimbursement request or notification of the amount to be refunded to the grantor.

Upon receipt of the closeout package, the Town Accountant will put the general ledger's grant account into inactive status and will reconcile the project manager's report with the general ledger's record of grant activity. The project manager will subsequently submit the final reimbursement request to the grantor or, if a refund is due, the Town Accountant will add the refund amount to the AP warrant.

Within 30 days of any grant closeout or the year-end closure, whichever is earlier, the Town Accountant will determine if the grant account has been overexpended and will either apply the expense to the operating budget or propose an appropriation from other available funds.

E. Audit

All grant activities are subject to audit by the particular grantors, the Town Accountant, and Berlin's independent auditor. The Town Accountant will maintain all grant documents and financial records for seven years after their closeouts or for the lengths of time specified by the grantors, whichever period is longer.

REFERENCES

[M.G.L. c. 40, § 5D](#) [M.G.L. c. 41, § 57](#) [M.G.L. c. 44, § 53A](#)

Berlin's Disbursements policy

Public Employee Retirement Administration Commission: [Memo #12/2003](#)

Mass.gov webpage: [Municipal Grant Finder](#)

US grant search website: [grants.gov](#)

EFFECTIVE DATE

This policy was adopted on [date].

PROCUREMENT - CONFLICT OF INTEREST

PURPOSE

To ensure integrity in the procurement process, this policy sets guidelines for vetting potential conflicts of interest.

APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"> ▪ Town Administrator’s role as chief procurement officer ▪ All Town employees, officials, and others working on the Town’s behalf who are involved with any procurement and contract process ▪ Prospective contractors
Scope:	<ul style="list-style-type: none"> ▪ Guidelines for vetting conflicts of interest related to all procurements of the Town, and for assuring compliance with the conflict of interest standards required of federal grantees under the Omni Circular

POLICY

The Town is committed to ethical business practices, professional integrity, and compliance with all procurement laws and regulations. Berlin will provide fair opportunities to participants in competitive processes for the award of Town contracts. Process integrity will be reinforced by the practices outlined here to ensure confidentiality during the bid evaluation process and to assess and address conflicts of interest in all competitive solicitations. The Town will investigate all allegations of conflict of interest or misconduct brought to the attention of Town staff.

A. Confidentiality during the Bid Evaluation Process

Town staff, consultants, and outside evaluators who are participants in a bid evaluation process are required to sign confidentiality agreements, which bind them not to share any information about responses received and the evaluation process until the Town issues a Notice of Intended Award.

The departmental purchasing employee will:

1. Identify all participants of an evaluation process who receive proposals or other documents used in the evaluation process, including any nonevaluating observers.
2. Ensure that these participants sign confidentiality agreements.
3. Submit the confidentiality agreements to the Town Administrator.

The Town Administrator will:

1. Verify that signed confidentiality agreements for all participants in the evaluation process, including nonevaluating observers, are submitted.
2. Maintain signed confidentiality agreements on file.

B. Conflict of Interest in Procurement

To ensure decisions are made independently and impartially, Town employees and officials are expected to avoid any conflicts of interest and also avoid the appearance of conflicts of interest. A conflict of interest, or the appearance of one, must be disclosed whenever a vendor, employee, or officer has, or can reasonably anticipate having, an ownership interest, a significant executive position, or other remunerative relationship with a prospective supplier of goods or services to the Town or knows that a family member or other person with whom they have a personal or financial relationship has such an interest.

According to the federal Office of Management and Budget's Omni Circular, a conflict of interest arises when: *"the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract."*

And it states that: *"The officers, employees, and agents of the non-federal entity must neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts."*

The Omni Circular further requires that for any federal grant involving a parent, affiliate, or subsidiary organization that is not a state or local government, the Town must also maintain written standards of conduct covering organizational conflicts of interest. An organizational conflict of interest means that due to a relationship with a parent company, affiliate, or subsidiary organization, the Town is unable or appears to be unable to be impartial in conducting a procurement action involving the related organization.

Any person with a conflict as described above shall not participate in the preparing of specifications, qualifying vendors, selecting successful bidders on products or services in which they have an interest, or approving payment to those interests. The only exception to this arises if the person makes full disclosure of a potential conflict and receives an advance, written determination from the [State Ethics Commission](#) that the interest is not so substantial as to be deemed likely to affect the integrity of the services the Town may expect from that individual.

Department heads and other officials are required to ascertain and disclose to the Town Administrator any potential conflict of interest affecting procurement transactions before a contract is signed, commitment made, or order placed. The Town Administrator will then notify the Town Accountant, who will verify the availability of funds before any order is placed with a vendor.

The following measures will be taken to ensure the Town avoids any conflicts of interest in procuring Town contracts:

1. Employees, officials, and others who regularly participate in contract activities on behalf of the Town must disclose relevant financial interests as required by state and federal laws and to annually review those statements in conjunction with this policy and other ethical standards.

2. Other persons involved in procurements must review this policy and other ethical standards and provide information in order to determine if there is a conflict of interest. Such persons shall include, but are not limited to, authors of specifications; paid and unpaid evaluators; and paid and unpaid consultants who assist in the procurement process.
3. If a possible conflict of interest is identified, it must be documented and reviewed with Town Counsel.

The departmental purchasing employee will:

1. Identify employees, consultants, outside uncompensated parties, and any other persons who will be involved in a procurement or contract activity, such as specification development, preparation and issuance of solicitations, evaluation of solicitations or submissions, or other evaluations, that will lead to an award of contract.
2. Provide conflict of interest forms to the identified participants.
3. Submit the completed forms to the Town Administrator prior to commencing any procurement or contract activity.

The Town Administrator will:

1. Review the submitted forms for potential conflicts of interest.
2. Discuss any potential conflicts of interest with the Town Counsel and document the resulting determinations.
3. Provide the Select Board with the documented result.
4. If a conflict or the appearance of one exists, take appropriate actions, including but not limited to, removal of the employee, consultant, or outside uncompensated party from the procurement activity or cancelation of the solicitation.

C. Compliance Reviews

The Town Accountant will conduct random reviews of compliance with this policy. All procurement activities are also subject to audit by the Town's independent Auditor.

REFERENCES

[M.G.L. c. 30B](#)

[M.G.L. c. 41, § 57](#)

[M.G.L. c. 268A](#)

[Acts of 2018, Chapter 384](#)

State Ethics Commission's webpage [Disclosure Forms for Municipal Employees](#)

Inspector General's webpage [Procurement Assistance](#)

U.S. Office of Management and Budget, December 2013 [Omni Circular](#)

EFFECTIVE DATE

This policy was adopted on [date].

RECONCILIATIONS

PURPOSE

To ensure transactions are in balance, mitigate fraud, safeguard general ledger accuracy, and maximize certifications of free cash, 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 Berlin’s financial records.

APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"> ▪ Town Accountant in keeping the general ledger up to date ▪ Treasurer/Collector in processing tax and excise receivables, maintaining a cashbook, and managing payroll withholdings ▪ All personnel within the Town with responsibility for managing either a receivable account and/or special revenue fund
Scope:	<ul style="list-style-type: none"> ▪ Periodic reconciliations of departmental cash, receivables, and special revenue fund records and of those departmental records with the general ledger

POLICY

The Treasurer/Collector and every department head responsible for managing a receivable account and/or special revenue fund 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. 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 Washington’s financial records.

A. Cashbook Reconciliation

To ensure an accurate accounting of all revenue activity, the Treasurer/Collector will maintain a cashbook that reflects up-to-date and accurate information for all cash and assets. To do so, the Treasurer/Collector will make certain that every cash receipt, disbursement, transfer, and interest accrual is recorded in the cashbook within one week of each transaction. The Treasurer/Collector will reconcile cashbook accounts to their corresponding bank accounts within one week of receiving monthly bank statements. These will include zero-balance vendor and payroll bank accounts, whose balances must equal the outstanding checks at the end of any month.

The Treasurer/Collector will identify all reconciling items, including deposits in transit, bounced and voided checks, and discrepancies between the cashbook and financial institutions, and will correct them when appropriate. The Treasurer/Collector will then forward the reconciled cashbook balances in an Excel report to the Town Accountant.

B. Payroll Withholdings Reconciliation

Payroll withholdings include federal and state taxes, child support and other wage assignments for legal obligations, deferred compensation, optional insurances, association dues, and other employer-

sponsored options, which are all itemized in separate general ledger accounts. The Treasurer/Collector must verify and reconcile all withholdings recorded in Harpers to the actual disbursements.

The Treasurer/Collector will report specific payroll deductions subject to vendor invoices, such as health insurance, to the Town Accountant for recording in the general ledger. To reduce the risk to the Town for liabilities in excess of withholdings, the Town Accountant will conduct monthly reconciliations of these payroll withholdings to their corresponding accounts payable, identify any discrepancies, and provide the results of these activities to the Treasurer/Collector to make any necessary payroll changes or adjustments.

C. Accounts Receivable Reconciliation

Accounts receivables are outstanding monies owed to the Town, whether from committed bills (i.e., taxes, excises, liens) or from uncommitted department invoices (e.g., police details). To ensure these assets are accounted for and balanced, the Treasurer/Collector and any department head with accounts receivable duties (each referred to here as “record-keeper”) will ensure that all cash receipts are recorded timely, maintain a control record for each receivable type and levy year (if applicable), and verify the detail balance agrees with the receivable control.

The receivable control is a record of original entry in which the Treasurer/Collector reduces a commitment according to processed collections, abatements, and exemptions and increases it by issued refunds. To maintain accuracy, the Treasurer/Collector must review the detailed list of receivables, identify credit balances as prepaid amounts or investigate them for possible correction, and reconcile the control balance to the detail.

Whenever these records do not agree, the Treasurer/Collector must determine the discrepancy by:

- Verifying the various transactions (commitments, abatements, refunds, chargebacks) against their supporting documents
- Comparing the total amount of posted payments to the turnovers accepted by the Treasurer/Collector
- Determining whether any revenues were incorrectly recorded as payments to the commitment, such as interest and fees

The Treasurer/Collector will forward to the Town Accountant a Schedule of Outstanding Receivables report showing the internally reconciled accounts receivable balances.

D. Special Revenue Reconciliation

Governed by various state statutes, special revenue funds are specific revenues segregated from the general fund and earmarked for specific purposes. They include gifts and grants from governmental entities, individuals, and organizations; revolving funds; and receipts reserved for appropriation. To ensure these funds are balanced, department heads with responsibility for special revenue funds will verify that all revenues turned over to the Treasurer/Collector, expenditures authorized for payment by the Town Accountant, and properly authorized transfers are recorded for the period. These

department heads will subsequently provide the Town Accountant with quarterly reconciliation reports on the funds.

E. General Ledger Reconciliation

To achieve the core objective of maintaining the general ledger's integrity, the Town Accountant must regularly reconcile it with the separately maintained accounting records outlined in Sections A – D above. In addition, it is the Town Accountant's responsibility to review all accounts analytically from time to time for reasonableness and to identify unusual activity.

The general ledger's cash accounts should reflect only those transactions reported to the Town Accountant by the Treasurer/Collector, so that in theory, the general ledger should be in balance with the cashbook. However, errors may occur due to omitting transfers or transactions or applying them in the wrong amounts or to the wrong accounts. Whenever the Town Accountant identifies a discrepancy between the general ledger and the cashbook, the following steps must be taken in conjunction with the Treasurer/Collector to determine the cause:

- If the total amount of revenue reported in the cashbook does not agree with the amount recorded in the ledger for that month, the Treasurer/Collector must verify that the monthly Treasurer's Schedule of Receipts agrees by detailed amount and classification with the cashbook and correct any errors.
- Compare the total amount of warrants paid during the month as recorded in the cashbook with the total recorded in the ledger for the same period. The last warrant paid must be the last one recorded; otherwise, a timing problem will create a discrepancy.
- If the records still do not agree, the Treasurer/Collector and Town Accountant must trace each entry to the ledger until the variance is determined.

All receivable records must also be reconciled to the Town Accountant's general ledger. If a given receivable control has been internally reconciled, any discrepancy must be in the general ledger, so the Town Accountant must:

- Review the commitments, charges, payments, abatements, refunds, reclassifications, and adjustments in the general ledger, as appropriate for the particular control.
- Verify whether receipts are recorded to the correct type and levy year.
- Verify the dates that activities were recorded.

The Town Accountant's receivable accounts in the general ledger should reflect the transactions provided by the Treasurer/Collector. Therefore, the above steps must resolve any discrepancies between the receivable control and the ledger. If they do not, the Treasurer/Collector and Town Accountant must trace each ledger entry until they determine the reason for variance.

The Town Accountant will verify that all special revenue fund reconciliations match the general ledger. The responsible department head and Town Accountant must research any discrepancy and correct the record(s) as appropriate.

F. Time frames and Documentation

Employees subject to this policy will complete reconciliations of their internal accounting records early each month so that subsequent reconciliations to the general ledger take place no later than the 15th of the month following the one being reconciled. At each quarter-ending month, the Town Accountant will extend the cash reconciliation process to individually reconcile every general ledger account that directly corresponds to a specific bank account (e.g., stabilization funds, trust funds, guarantee bond deposits).

Each general ledger reconciliation will be documented by a worksheet cosigned by the two parties. If, at that time, any variance has not yet been fully resolved, this must be noted, along with a work plan and timetable for resolution. The Town Accountant will submit the collective set of reconciliation worksheets to the Select Board quarterly.

REFERENCES

Berlin policies on Antifraud, Disbursements, Administrative Financial Team, Grants Management, and Revenue Turnover

DLS Best Practice: [Reconciling Cash and Receivables](#)

Massachusetts Collectors & Treasurers Association: [Treasurer's Manual](#) and [Collector's Manual](#)

EFFECTIVE DATE

This policy was adopted on [date].

REVENUE TURNOVER

PURPOSE

To safeguard Town assets and maximize cash flow, this policy provides guidelines for departments to turn over receipts to the Treasurer/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 AND SCOPE

Applies to:	<ul style="list-style-type: none"> ▪ Treasurer/Collector, as the Town’s cash manager, and Treasurer/Collector staff ▪ All other individuals and department heads with responsibility for handling payments ▪ Town Accountant in the duty to keep the general ledger up to date
Scope:	<ul style="list-style-type: none"> ▪ Guidelines for managing all cash, check, credit card, and other forms of payment received by all Town departments for taxes, excises, fees, charges, and intergovernmental receipts, from the departmental level through Treasury and Accounting duties

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 Treasurer/Collector. Each department will turn over at least weekly and must do so by the end of the day when cash receipts total \$500 or more.

To indemnify the Town from potential loss or theft of receipts, the Town Administrator will ensure that surety bonds are maintained for all individuals responsible for handling payments. All employees that handle the receipt of money must be trained in this policy by the Treasurer/Collector.

A. Receiving Payments

Using prenumbered receipt books, assigned departmental staff must issue a receipt for every payment received, even when the payer attempts to refuse it. These employees must identify the forms of payment (check, cash, or credit card) in the receipt books. As the exception, employees in the Treasurer/Collector’s office receiving taxes and other collections from the public need only issue receipts for cash payments. Every Town employee who receives a check will immediately endorse it “For Deposit Only” using a stamp or by handwriting. Every department receiving payments shall secure them in a locked cash box or safe until completing a turnover to the Treasurer/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 to the Treasurer (i.e., the turnover form), obtain the department head's signature on it, and make two copies of it. Every listed receipt should tie back to a receipt book entry and to the receipt logs maintained by the department head. Departmental staff will deliver the turnover package in person and at no time may leave any unattended turnovers in the Treasurer/Collector's office or elsewhere in Town Hall.

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

When the Treasurer/Collector's office has accepted the turnover, the departmental employee will receive back two copies of the turnover form signed and dated by the Treasurer/Collector employee. The departmental employee will retain one turnover copy on file and deliver the other to the Town Accountant. The Town Accountant will refuse to accept any turnover form that is not signed by a Treasurer/Collector employee.

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, Treasurer/Collector staff will count the receipts in the presence of the authorized departmental employee. Any inaccuracies on the turnover forms will be corrected on them at that time and initialed by both parties. The Treasurer/Collector staff member will then sign the turnover copies and return two of them to the departmental employee.

Within 24 hours of receiving the turnover, Treasurer/Collector staff will record the receipt data in the VADAR Treasurer's Receipts module and will deposit any checks received via remote scanner. Treasurer/Collector will take any received cash to the bank for deposit daily. Until the deposit is completed, the Treasurer/Collector will ensure that all receipts are secured, either in a cash drawer or, if being held overnight, in a safe.

At the close of business each day, the Treasurer/Collector will review the posted VADAR batches, turnover documents, cash deposit slips, and remote scanner reports. When all the activity ties out, the Treasurer/Collector will update the cashbook with all the deposit data and submit the VADAR batches online for the Town Accountant's review.

D. Updating the General Ledger

The Town Accountant will compare the posted batches transmitted within VADAR by the Treasurer/Collector to the turnover reports received from departments and investigate any discrepancies with the Treasurer/Collector and the originating department. When the VADAR batches reconcile properly with the turnover reports, the Town Accountant will post the data to the VADAR general ledger.

E. Audit

All cash management activity is subject to review by the Town Accountant and the Town's independent auditor. Further, the Town Accountant will conduct periodic, random audits of departments' payment processing and turnover procedures to ensure adherence to this policy.

REFERENCES

[M.G.L. c. 41, §§ 35 and 57](#) [M.G.L. c. 44, § 69](#) [M.G.L. c. 60, § 57A](#)

Berlin's Reconciliations policy

Massachusetts Collectors & Treasurers Association's [Treasurer's Manual](#) and [Collector's Manual](#)

EFFECTIVE DATE

This policy was adopted on [date].

TAILINGS

PURPOSE

To minimize the negative impact of uncashed checks on cash position certainty, to provide appropriate opportunities for payees to claim uncashed checks, and to properly recover unclaimed funds for the Town’s general fund, this policy sets guidelines for the resolution of tailings.

APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"> ▪ Treasurer/Collector, Assistant Treasurer, Town Accountant, and all department heads ▪ Payees of Town disbursements
Scope:	<ul style="list-style-type: none"> ▪ Managing uncashed checks, including notifying payees, handling claims, and escheating unclaimed funds to the general fund

BACKGROUND

A tailing is a form of unclaimed property that results from a disbursed but uncashed check, and it 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. Having accepted M.G.L. c. 200A § 9A, the Town can expedite tailing resolutions and escheat to the Town’s general fund the funds that remain unclaimed at the completion of the process rather than surrendering the money to the state, as would be required otherwise. This policy sets forth the steps that must be taken to properly manage tailings under § 9A.

POLICY

Periodically throughout the year, the Treasurer/Collector, Assistant Treasurer, relevant department heads, and the Town Accountant will work together to resolve accumulated tailings, either by prompting actual pay outs or through escheatment to the Town.

A. Monthly Management of Tailings

As part of the monthly cash reconciliation and under the direction of the Treasurer/Collector will review the accounts payable bank accounts online to determine which checks have been cashed by recipients and update their status in VADAR. Following this, under the Treasurer/Collector’s direction, the Assistant Treasurer will run a VADAR report of all checks outstanding 30 days or more after issuance and email the department head associated with each of them to follow up with the 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 notices to departments, the Assistant Treasurer will send an uncashed check notice to the payees at their last known addresses.

Every month, the Assistant Treasurer will also identify all checks that are uncashed one year after being issued and notify the bank to stop payment. At this point, the checks may still be claimed by the payees but will require reissuance. The Treasurer/Collector 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

At least once a year, the Treasurer/Collector will review the accumulated inventory of stop-paid tailings and do the following:

1. List the payee names 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 of Berlin and deemed abandoned." This posted notice will detail the process to claim funds and state a deadline for making a claim that is 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 in *The Clinton Item* and *Worcester Telegram & Gazette* a notice in the same form as the website posting but stating a new claim deadline not less than 60 days after the publication date.
3. For checks of \$100 or greater that remain uncashed after the publication deadline, publish a second notice in the same two newspapers with the same language as the previous except with 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 all the published checks again. When the prompted date occurs, notify the Town Accountant of all those that are still unclaimed at that time.

C. Check Claiming

If a payee submits a claim to the Treasurer/Collector within the given deadline, or at any time before the funds are escheated, the Treasurer/Collector will review the claim and make a determination as to its validity.

- If the claim is deemed valid, the Treasurer/Collector will submit the amount to the Town Accountant for inclusion on the next disbursement warrant.
- If the claim is deemed invalid, the Treasurer/Collector will segregate the funds into a separate, interest-bearing account and notify the claimant of this action within 10 days. Within 20 days after receiving this notice, the claimant may file an appeal at Clinton District Court (or at Worcester Superior Court if the amount is \$50,000 or more).
- If the court rules for the claimant, the Treasurer/Collector will submit the tailing amount, along with any interest, to the Town Accountant for inclusion on the next disbursement warrant after receiving the court order.
- If the court rules against the claimant, or if the Treasurer/Collector receives no notice of any court appeal being filed within one year of the Treasurer/Collector's notice to the claimant that the funds were being withheld, the Treasurer/Collector will notify the Town Accountant to escheat the total tailing and interest amount.

D. Escheatment

Upon receipt of a notice from the Treasurer/Collector as described in Sections B and C above, the Town Accountant will escheat the listed funds. This involves reversing the abandoned property

liability and recognizing the funds as revenue in the general fund to be available for future appropriation by town meeting for any public purpose.

REFERENCES

[M.G.L. c. 200A, § 9A](#)

Berlin policies on Disbursements and Reconciliations

EFFECTIVE DATE

This policy was adopted on [date].

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 AND SCOPE

Applies to:	<ul style="list-style-type: none"> ▪ Treasurer/Collector job duties ▪ Town's contracted tax title attorney
Scope:	<ul style="list-style-type: none"> ▪ Enforcement of delinquent property tax liens ▪ Resolution of tax title accounts

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.

Taxpayers are responsible for notifying the Town in writing of any mailing address changes.

A. Demands

Final taxes are due to be paid as of May 1 each year (the due date for the second, semiannual tax bill). No later than June 1, the Treasurer/Collector 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/Collector 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/Collector 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/Collector shall carefully document the taking process to preserve the Town's rights for future actions.

The Treasurer/Collector 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/Collector will publish a Notice of Tax Taking in *The Clinton Item* and *Worcester Telegram & Gazette* and post the notice 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.

The Treasurer/Collector will work with delinquent taxpayers to suspend the tax taking process, and potentially avoid the tax taking advertisement, if they comply with making regular payments of at least 10 percent of the outstanding tax. However, the Treasurer/Collector will proceed to publish the Notice if there is a lapse of more than 30 days from the last partial payment.

Within 60 days of the tax taking announcements, the Treasurer/Collector will prepare an Instrument of Taking form for each delinquent property and record them at the Registry of Deeds to perfect the tax liens. After receiving the recorded Instruments back from the Registry, the Treasurer/Collector will notify the affected property owners of the liens by sending each of them a letter and a copy of the Instrument. The Treasurer/Collector will provide copies of the List of Recorded Takings to the Town Accountant and Town Administrator.

C. Subsequent Taxes

After the demand bill and before June 15 each year, the Treasurer/Collector 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/Collector will provide copies of the report to the Town Accountant and Town Administrator and retain one on file.

D. Interest, Fees, and License Revocation

All delinquent taxpayers are subject to charges, which the Treasurer/Collector 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/Collector 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

The Treasurer/Collector 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/Collector will actively monitor compliance with all such agreements, which will have the following features in common:

- Signed agreement between the Treasurer/Collector 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/Collector 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/Collector 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/Collector will identify all properties of significant value to process for potential foreclosure in Land Court. To do this, the Treasurer/Collector 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.

As manager of the service contract, the Treasurer/Collector will ensure the tax title attorney complies with the objectives laid out in this policy section. The Treasurer/Collector 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/Collector 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/Collector 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. 40, §§ 57, 42A, 42B, 42C, 42D, 42E, 42F](#)

[M.G.L. c. 60, §§ 6, 16, 22, 37, 40, 50, 53, 54, 57, 61, 62, 62A, 63, 76, 77, 79, 80](#)

Berlin bylaws, Article XIII Section 5 (a) to (d) and Article XXII Payment Agreements for Overdue Taxes

Berlin policies on Antifraud, Administrative Financial Team, and Reconciliations

DLS Best Practice: [Enforcing Collections](#), Guidance: [Local Tax Collection FAQs](#), and Informational Guideline Releases (annually updated): [Land of Low Value Foreclosure Valuation Limit](#)

Massachusetts Collectors & Treasurers Association: [Treasurer's Manual](#) and [Collector's Manual](#)

EFFECTIVE DATE

This policy was adopted on [date].

POLICY LOG

FINANCIAL PLANNING

Policy	Adopted	Last Reviewed	Amended
Annual Audit			
Capital Planning			
Debt Management			
Financial Reserves			
Forecasting			
Investments			
Special Appropriation Close-outs			

FINANCIAL OPERATIONS

Policy	Adopted	Last Reviewed	Amended
Administrative Financial Team			
Ambulance Receivables			
Disbursements			
Grants Management			
Procurement Conflict of Interest			
Reconciliations			
Revenue Turnover			
Tailings			
Tax Enforcement			