FINANCIAL MANAGEMENT REVIEW

TOWN OF BRIMFIELD

AUGUST 2023

DLS
DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

PREPARED BY:

Financial Management Resource Bureau | DLS
www.mass.gov/dls

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August 8, 2023

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Dear Select Board Members,

I am pleased to present the enclosed financial management review for the Town of Brimfield. It is my hope that our guidance provides direction and serves as a resource for local officials as we work together to build better government for our citizens.

If you have any questions regarding this report, please contact Zack Blake, Financial Management Resource Bureau Chief, at 617-626-2358 or blakez@dor.state.ma.us.

Sincerely,



Sean R. Cronin
Senior Deputy Commissioner

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INTRODUCTION

At the select board's request, the Division of Local Services (DLS) Financial Management Resource Bureau completed this Financial Management Review for the Town of Brimfield.

The scope of our review focused on the town's financial offices and the practices, procedures, and policies that guide municipal decisions. We examined the duties and responsibilities of finance officers and the degree of coordination and communication that exists. We comment on the effectiveness of financial checks and balances and on compliance with state laws and regulations that govern fiscal matters.

The following report provides recommendations based upon interviews with policymakers and department staff, including the select board and their administrative assistant, finance committee, town accountant, assistant treasurer/collector, assessor, and others. We also gathered and examined information and historical financial data from various documents, including the tax recapitulation sheet, balance sheet, annual budget, warrant payables, revenue and expenditure reports, and reconciliations. Additionally, we reviewed the town's bylaws and locally accepted statutes, as well as its independent audit reports.

Brimfield has some good financial management practices in place, including maintaining strong reserves, low debt, submitting the year-end balance sheet required to certify free cash on time and having regular annual audits completed by Scanlon and Associates.

The town, however, has no written processes or procedures to capture decades worth of institutional knowledge that exists among several long-time staff members. This will make any transition and continuity of their good financial practices all the more challenging when those staff members leave. In recent years, there has been multiple instances of staff turnover in the treasurer/collector position. Following the more recent departure of the treasurer/collector in early 2023, the accountant was asked to temporarily handle some of the treasurer responsibilities, which violates basic internal controls. The select board's administrative assistant is also relatively new to the position in Brimfield.

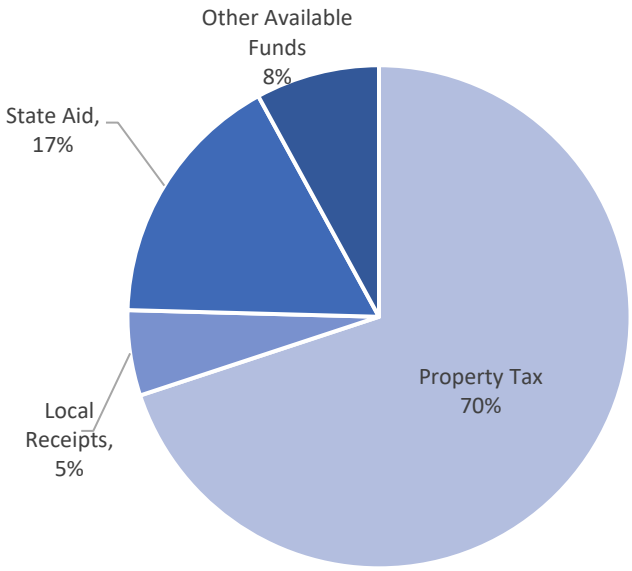
Traditionally, Brimfield has been averse to taking on debt to finance its capital needs, which has resulted in deferred maintenance and investment in municipal buildings and assets. The only debt the town currently has is for the construction of the new police station in 2020.

According to the tax rate recap, the town has been using a significant amount of free cash yearly specifically to reduce the tax rate. When free cash is used this way to fund ongoing operational cost, it creates a structural deficit. We recommend against using reserve funds, including free cash, to reduce the tax rate because they should be treated as one time funding sources for non-recurring costs.

Community Profile

Located in Hampden County near the Connecticut border, the Town of Brimfield is home to 3,690 residents. Brimfield is a community rich in history and natural beauty, known for its picturesque rural landscape, popular antique fairs, and outdoor recreational opportunities. On the following pages, we highlight several key areas of Brimfield's finances. While analyzing various financial indicators does not definitively score a community's fiscal health, they can highlight trends based on data from past performance.

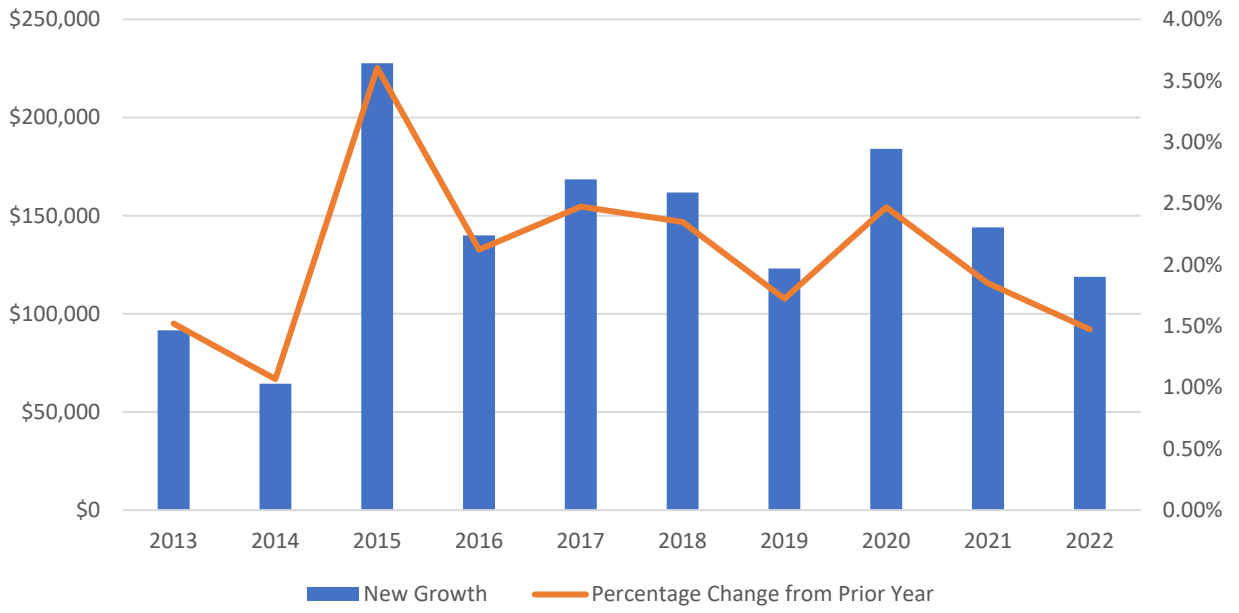
As a primarily residential community, Brimfield receives 89% of its tax revenue from residential property with the remaining 11% coming from commercial, industrial, and personal property. Based on 2020 DOR data, Brimfield's per capita income is $40,907, which is above the Hampden County average of $36,323, but below the state average $53,160.



In FY22, revenues for Brimfield's operating budget totaled $12,310,926, which includes $8.6 million from the tax levy, $6.7 million from local receipts (e.g., motor vehicle excise, license and permitting fees), $2 million from state aid, and just under $1 million from other available funds (e.g., free cash and stabilization).

Every year the town has the opportunity to capture additional revenues added to the property tax base through what is known as new growth. New growth comes from the additional tax revenue generated by new construction, renovations, and other increases in the property tax

base during a calendar year. This is an important value to pay attention to as it can help the community make informed decisions when estimating property tax growth and potential additional expenditures (e.g., additional school children, public infrastructure, etc.). The chart below illustrates Brimfield's new growth in Brimfield since 2013.

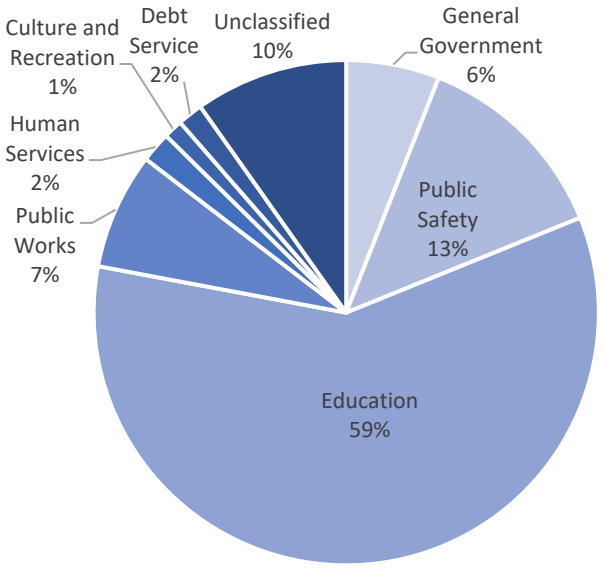


Brimfield's budget supports a range of municipal services, including a full-time police department, highway department, fire department and a library. In small towns with limited financial resources, the challenge of providing services means balancing various service needs and levels of staffing. Emergency medical services, for example, are privately contracted and the town has no public wastewater or water services.

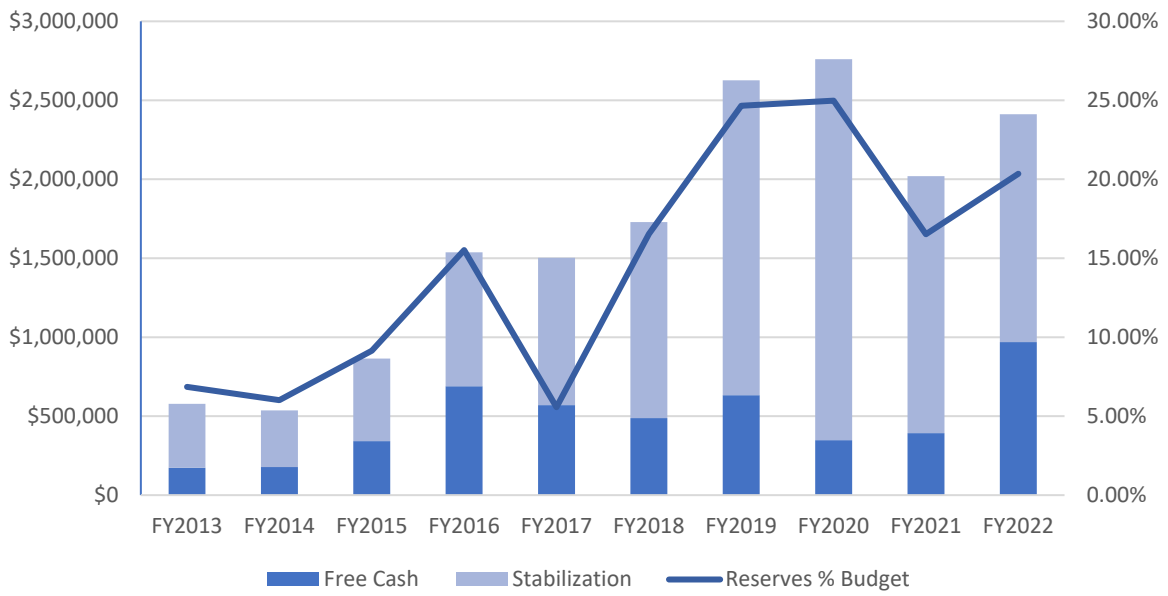
Education accounts for nearly 60% of the town's total expenditures. Brimfield hosts its own local pre-k through sixth grade elementary school and a part of the five town Tantasqua Regional/School Union 61 Districts for junior and senior high school and vocational/technical programs. Brimfield contributes the largest share of the district's budget at $6.4M in comparison to the other four communities of Brookfield, Holland, Sturbridge, and Wales.

Public safety costs in Brimfield represent the next largest portion of the town's budget at $1.4M, followed by unclassified expenses (e.g., health insurance, retirement, workers comp, etc.) at

$1M, public works at $811K, general government at $650K, debt service at $176K and the remaining $344K going to human services and culture and recreation.



Brimfield's reserves consist of general stabilization funds and free cash. It is typically recommended that a community's combined reserves amount to 10-14% of the operating budget, although communities like Brimfield often have much higher amounts in reserves because the percentage represents a relatively low dollar figure. Brimfield has been proactive in building its reserves over the last nine years. Depicted in the chart below, Brimfield's reserves peaked in FY20 at $2.76M, or almost 25% of the budget, but have declined since to their current level of $2.4M or 20.4%. Brimfield's free cash reserves represents the remaining, unrestricted funds from operations from the previous fiscal year including any unexpended prior year free cash, actual receipts in excess of revenue estimated on the tax recapitulation sheet, and unspent amounts in budget line items. Free cash must be certified annually by the Division of Local Services before it can be appropriated by town meeting.



Financial Management Structure

Brimfield's form of government is organized under a combination of state statues and locally adopted bylaws. It is governed by open town meeting and an elected five-member select board who functions as the town's executive authority. The select board appoints the seven-member volunteer finance committee. Under Chapter 2, Section 2.5 of the town's bylaws, the finance committee has robust responsibilities for creating the annual budget with limited involvement from the select board. Because the finance committee has limited support from the accountant in preparing certain budget documents, departments are left to prepare and present their budgets to the finance committee.

The treasurer/collector's office is responsible for the issuance and collection of quarterly property tax bills as well as the motor vehicle excise tax bills. On the treasury side, responsibilities include investing and disbursing town funds, management of debt, monitoring of cash flow, and working with the accountant on the reconciliation of all town funds, receivables, trust funds and state/federal grants.

Brimfield's combined fulltime treasurer/collector position, which has been vacant since February is appointed by the Select Board. This role has experienced significant turnover and at the time of this review, Clifton Larson Allen (CLA) was hired to perform limited interim work. Remaining responsibilities were split between the assistant treasurer/collector and the town accountant.

The assistant treasurer/collector has worked in the community for more than 22 years and handles the majority of revenue collections and tax title work. Following the departure of the treasurer/collector, she managed most of the collector's side of the responsibilities for which she receives an additional stipend. There is also a part-time clerk in the office who works 15-20 hours per week to assist with processing payments and working directly with residents and taxpayers that come into the office.

The town accountant in Brimfield, although officially retired from the position back in 2017 after 24 years of service, works on a part-time basis. Retirees are only allowed to work 960 hours per year and the position is only budgeted for as many, but she typically works about 30 hours per week or about 1,560 hours per year. Given her length of tenure and knowledge of municipal finances, her role as an accountant has expanded to also include responsibilities typically associated with those of a finance director, such as pulling together the majority of the budget documents for the finance committee.

The assessing office is chiefly responsible for valuing all real and personal property and issuing commitments authorizing the treasurer/collector to mail and collect real estate taxes and motor vehicle excises. The principal assessor has served the town for over 12 years. The department uses Bishop Associates for the majority of the analysis of approximately 1,300 parcels in town. Additional support is provided through a part-time clerk who offers administrative assistance to the office for 10 hours per week.

The select board's administrative assistant supports the day-to-day functions of the office, including assisting with preparing for biweekly select board meetings and collecting permit fees for the antique fairs for which she receives a stipend. She has a limited role in any finance or general town wide management functions.

RECOMMENDATIONS

1. Ensure Internal Controls and Separations of Duties

In February, Brimfield's treasurer/collector departed from the community, which resulted in the consulting firm CLA serving in a limited interim role. Based on the contract, they conduct the following services:

1. Assist with accounts payable and payroll reconciliations in FY23
2. Train staff on cash reconciling
3. Assist and train staff on running Harper's reports for end of period reporting to payroll withholding vendors.

After a review of the contract and conversations with the financial staff, it was apparent that there was a gap in services that were traditionally provided by the treasurer/collector. While Brimfield searched for a permanent replacement, other financial staff took on additional responsibilities. It can be incredibly helpful when employees are able to take on additional responsibilities for a short period of time, but it is in the best interest of the town to ensure that internal controls and proper separation of duties are maintained during these periods of time.

The accountant indicated she adopted some tasks that are functions of the treasurer. These positions, by design, are meant to be separate for purposes of checks and balance. The biggest concern observed was that the accountant was recording transactions in the treasurer's cashbook. As an original book of entry, a cash book is a financial journal that should be solely maintained by the treasurer that contains all cash receipts and disbursements, including bank deposits and withdrawals. This journal is then reconciled with the accountant's general ledger by comparing the balance figures. Without the appropriate separation of duties between treasury and accounting, there is a higher risk to the town's financial management.

2. Establish a Financial Management Team

Scheduling regular, consistent financial management team meetings amongst the financial departments can support accountability and planning.

The team would be run by the chairs of the finance committee and select board and include the accountant, treasurer/collector, and assessor. Due to her depth in experience and knowledge of the community, the assistant treasurer/collector might also attend the meetings. Team meetings would work best if scheduled at a consistent, convenient time each month with agendas sent in advance. More frequent meetings may be necessary at certain times of the year. Gathering the team for regular discussions will enable the finance committee and select board to play a more hands on role in ongoing financial operations and monitor progress.

Many communities find financial team meetings effective for facilitating interdepartmental objectives because they help to identify critical junctures and gain early input on strategies to deal with anticipated fiscal events. A regular part of these meetings would include reviewing the budget calendar and analyzing financial data, such as prior-year performance and year-to-date activities. The meetings are also opportunities to hold staff accountable for their roles in mission-critical functions, like tax rate setting or reconciliations of cash and receivables. Finally, a well-established financial team helps provide institutional continuity when officeholders leave town service.

3. Retain Combined Treasurer/Collector

There have been some recent discussions about reverting to a separate treasurer and collector, which is codified in the bylaws as a combined position. Due to the size of the community and challenges with recruitment, we recommend that it is in the best interest to maintain a combined treasurer/collector position. It is unlikely that the town would be able to support two full time positions for these roles. Additionally, it is unlikely that the town would be able to find people with the right qualifications interested in part time positions. The town also benefits from having a full time employee who is available for residents and taxpayers, allows for better team cohesiveness, and a greatly likelihood of employee retention due to the ability to offer a better compensation and benefits package. This position is also codified in the bylaws as a combined position.

4. Adopt Formal Financial Policies

While Brimfield has no formal financial policies, longevity in employees has led to some consistent practices. We encourage local officials to formalize these practices into written policies for the town. Policies are an effective way of coordinating the finance departments,

select board, and finance committee around a set of common finance goals. They also promote accountability, help align town governance with long-term goals, and serve as an anchor point for the town's system of internal controls. Adoption of formal policies is also viewed very favorably by independent auditors and credit rating agencies. We recommend the town consider adopting policies in the following core areas:

Annual Budget Process: An annual budget policy should define an integrated framework for developing the year's annual operating budget, starting with goals and objectives, departmental budget requests, and culminating in town meeting. The annual budget policy should include:

- Budget goals for the general fund, capital investment, and reserves.
- Principles for balanced and sustainable budgets, including funding levels and sources and circumstances for considering any Proposition 2½ referendums.
- A budget calendar that specifies dates for initial revenue projections and updates, departmental appropriation guidelines and request returns, capital improvement plan, working budget, and the final budget, allowing for hearings, reviews and approvals at different levels, and accounts for the time needed to print and distribute the warrant.
- Requirements for the budget document include the budget's short- and long-term strategic goals, narrative information on departmental and organizational goals and the resources needed to meet those goals, and graphical information on revenues, expenditures, reserves, and other financial data.
- Budget monitoring guidelines for requiring a review of revenue and expenditure reports by the selectboard and finance committee during the year to provide the opportunity to make plans for any necessary corrective actions and to consider advance forecasting into the next year.

Financial Reserves: A financial reserves policy enables a community to maintain a target level of reserves in the form of cash on hand, develop a reliable financing source for smaller, one-time capital or equipment related needs, and ensures the continuation of services during difficult economic periods. Reserves include free cash and stabilization fund(s). The policy should identify reserve target levels, define acceptable and prohibited uses, and lay out a course of action for when a reserve falls below or exceeds the desired target.

Free Cash: In establishing the free cash portion of the financial reserves policy, the town should:

- Set an annual free cash target of the total general fund budget to be realized through conservative revenue projections and careful management of departmental budgets. A generally accepted target range is equal to 3 to 5% of the general fund budget, but for smaller communities like Brimfield, it might consider a higher amount.
- Reserve a percentage of free cash as unappropriated to provide a basis for the subsequent year's certification.
- Define acceptable and prohibited uses, along with any course of action for when free cash falls below or exceeds the desired target.
- Limit the use of free cash to one-time expenditures unless extenuating circumstances exist.

Stabilization Funds: A general stabilization fund allows a community to set aside money for future or unforeseen purposes, whereas a special purpose stabilization fund is intended to be used as a planning tool for saving money for a designated purpose. Brimfield currently has one general stabilization and no special purpose stabilization funds. In establishing the stabilization fund portion of the financial reserves policy, the town should:

- Establish target balances either as a total dollar amount or as a percentage of the general fund budget. A generally accepted target range for the general stabilization fund is equal to 5 to 7% of the general fund budget. Again, Brimfield is a smaller community, so it might consider a higher target amount.
- Restrict the use of the general stabilization fund to unforeseen and extraordinary expenses.
- Determine an annual appropriation to support the funds.
- Define a plan for replenishing the funds which should include establishing indicators for when to appropriate into the funds, such as a percentage of new growth or free cash above a policy target.
- Define the special purpose, funding source and level, and use of the stabilization fund(s).

<u>Capital Planning:</u>

A capital planning policy provides a framework for planning, reviewing, and coordinating capital purchases. The policy should include:

- Financing strategy such as the balance of debt versus cash capital spending, and how much to spend on capital annually, expressed as a percentage of revenue with a statement expressing the community's preference for borrowing terms, such as 10, 15, or 20 years (limited by useful life).
- Definition of a capital project and what can be funded through the capital improvement plan.
- Criteria used to evaluate, rank, and prioritize submitted projects.

Debt Management: The debt management policy should provide for the appropriate issuance and responsible use of debt. Good debt management practices protect the town's investment in capital and result in lower borrowing costs by structuring multiple projects together to reduce the frequency of issues, lower issuance costs, and access more competitive interest rates. The policy should also define debt capacity safeguards to protect the community from excessive debt levels that cannot be supported by existing and projected revenues.

- Identify a target for within-levy debt service as a percentage of annual general fund revenue. As debt retires and the balance falls below the target benchmark, the town should identify debt-funded capital projects to fill in the investment gap to ensure it continually reinvests in its capital assets at a steady, predictable rate.
- Establish criteria for proposing capital expenditures to be financed with debt or capital exclusions.
- Monitor excluded debt service to replace maturing obligations timely and thereby mitigate against tax rate spikes that would result from waiting to fully retire debt before issuing a new obligation.

Cash and Receivable Reconciliations: A reconciliation policy provides a framework to ensure transactions are in balance, mitigate fraud, safeguard general ledger accuracy, and maximize certifications of free cash. Financial officers must conduct and document regular reconciliations of their internal accounting records, and these must be reconciled to the general ledger. Source documentation that must be reconciled with the town accountant's records includes the treasurer's cashbook, collector's control book, payroll withholdings, and special revenue accounts (e.g., federal, state, and local grants, gifts).

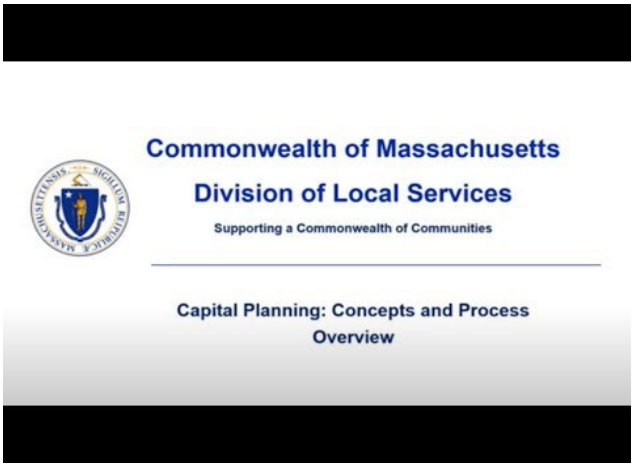
Tax Enforcement: The tax enforcement policy should detail expectations for the town and the taxpayers of how and when the town will transition unpaid property taxes from tax title through foreclosure. It is in the best interest of the town and its residents that property taxes be paid when due.

Need to preserve the institutional knowledge of existing staff and create a foundation of policies and procedures for when those positions turnover.

5. Create a Capital Plan

Brimfield should create a capital plan once a formal policy is established as suggested above. A lack of maintenance and the general age of buildings has resulted in a backlog of needs that will require strategic, responsible financial planning to fix. Currently, the process is to address needs year by year as they arise with no formal strategic plan.

To create an effective capital plan, the town must first determine its existing assets, including properties and fleet, detailing (as applicable): the dates built, acquired or last improved, original cost, current condition, expected useful life, depreciated value, extent of use, and any scheduled replacement or expansion dates. The financial management team should analyze the town's ability to finance a capital plan through cash purchases (tax levy or one-time revenues) or by issuing debt. From there, a framework for future projects and assets can begin. In this way, the town can more effectively direct funds to identified needs and make strategic plans based upon agreed to long-term goals.



We recommend a five-year plan be established that should be revisited annually to reflect any changes or adjustments that need to be made. Included is a video series on capital planning created by DLS, with videos on the concepts and process, components, and methods on funding capital budgets.

6. Develop Succession Planning

In Brimfield, most departments are staffed by one person with little to no clerical support. Some staff have indicated an interest in retirement within the next couple of years. In order to prepare for these departures, we suggest that the town review the core functions and legal responsibilities of each office or position and determine a plan. This may include a review and update of job descriptions, determine priorities, and identify practices that are effective and should be reinforced, and those that are ineffective and should be discarded. This should also include a review of the hours required, working arrangements, and benefits package. Creating a compensation plan that is competitive with peer communities can be a good way to help with longevity and employee retention in the future.

In addition, we suggest they take the following steps, as appropriate to each position:

- Develop procedure manuals with step-by-step instructions starting with the most critical tasks. For propriety software systems, reach out to vendors to see what material they can supply and the training sessions they can offer at what costs.
- Speak with peer communities regarding organization structure and for their experience hiring and retaining qualified candidates.
- Consider regional or outsourced services.

7. Convert Highway Surveyor and Town Clerk to Appointed Positions

These types of elected positions are becoming ever rarer in Massachusetts communities for a variety of good reasons. Superior oversight and accountability are achieved when all of a community's department heads are appointed positions answerable to a common executive. There are well-established professional standards and state statutes that govern many of the duties for these positions, making the need for these positions to be elected superfluous. When these positions open the Town will want to be able to have the best professionally qualified person to take the job – without residency restrictions.

It is increasingly common for communities to do away with elected town employees due to the wider recognition of the lack of any policy significance associated with these roles and the desire to open the positions to the most qualified job applicants whenever vacancies occur, regardless of their places of residence. In light of all this, we recommend the town convert these two

positions to appointed posts through majority votes at annual town meeting and at an election held within the following 60 days.

APPENDIX

Sample Annual Budget Process Policy

PURPOSE

To promote transparency, procedural consistency, and fiscal sustainability, this policy establishes guidelines for developing, documenting, and adopting the annual budget. As the Town's central policy document, the budget prioritizes annual and longer-range objectives and is the means for turning strategic plans into fiscal reality. It constitutes a contract between the Town and its residents, explaining how funds are to be raised and allocated for the delivery of services.

APPLICABILITY AND SCOPE

Applies to:

- Select Board, Finance Committee, and School Committee in their budget decision-making roles
- Town Accountant and Board of Assessors job duties
- All department heads and the boards and committees that have spending authority (all referred to here as "department heads") in their budget planning duties

Scope:

- Annual budget development, documentation, and adoption processes

POLICY

Town officials will work together to prepare a balanced budget for the approval of voters at annual town meeting. The creation of the budget will be guided by and reflect all the other financial planning policies adopted by the Town and contained in its policy manual. Town meeting has the sole authority to appropriate funds for the budget, except for specific instances where appropriation is not required by statute (such as grants, gifts, and offset receipts). Furthermore, only a subsequent annual or special town meeting vote can amend any previously approved appropriation.

The Finance Committee is responsible for developing the annual budget and will do so according to the vision, goals, and strategic plans laid out by the Select Board. The Finance Committee will analyze departmental submissions for the annual capital budget. To ensure early knowledge of the school's expenditure projections and smoothly integrate its budget, the Finance Committee will cultivate a strong, communicative relationship with the School Superintendent. It is the goal of all these parties to work in a cooperative manner to present voters with a consensus budget.

All parties applicable under this policy are expected to comply with the milestone deadlines in the annual budget calendar when they are set each year. As part of this, department heads will timely provide the Finance Committee with all information needed for the creation of an informative budget document, which will be made available to voters in advance of town meeting.

A. Budget Goals

At minimum each year, the Town's budget goals will include the following:

General fund – The goals for the general fund budget include preserving core services, fulfilling required mandates, and maintaining or enhancing the local quality of life, while also ensuring reserve levels that will allow flexibility to respond to changes in the economy and other unanticipated issues that could potentially affect the Town's fiscal health.

Capital investment — To pay for items in the capital plan, the Town will strive to achieve and maintain the annual capital funding levels spelled out in the Capital Planning and Debt Management policies. Additionally, the Town will plan to regularly fund, within departmental operating budgets, the maintenance costs for equipment, facilities, infrastructure, and other capital assets to maximize their useful lifespans.

B. Tax Levy Considerations

The Select Board will evaluate the estimated tax rate for the forthcoming year based on level of affordability, including the estimated average single-family tax bill as a percentage of the Town's per capita income. The Select Board and Finance Committee will review this analysis when presenting the proposed budget.

C. Principles for Balanced, Sustainable Budgets

The Finance Committee, with the Town Accountant's assistance, will prepare an annual budget proposal for the approval of the Select Board and eventual inclusion in the annual town meeting warrant. Along with the proposal, the Select Board will also report on the Town's methods of operation, program service delivery, resource expenditures, and workforce allocations. To assure the creation of a budget that is both balanced and sustainable for future years, the following principles will apply:

1. Recurring revenues (e.g., property taxes, vehicle excises, service fees and charges, interest earnings, state aid) will be sufficient to support recurring expenditures (e.g., employee wages and benefits, materials, supplies, contracted costs, debt service).
2. Because free cash is not a current or recurring revenue source, it should not be relied on to balance the operating budget, which is, in effect, what happens when it is applied to reduce the tax rate on the tax recapitulation sheet.
3. The Town will avoid using any one-time revenue source to fund ongoing services unless necessitated by exceptional circumstances, and any such usage will require a plan to replace this source in future years.
4. The Select Board will review fee schedules every year and propose increases when necessary to ensure coverage of service costs.
5. All departmental budgets will be prepared to reflect the full costs of providing the services and list the proposed and prior-year actual allocations of full-time-equivalent employees.
6. The Town will not underfund any fixed, recurring costs in the annual town meeting budget with the expectation that budget supplements will be available during the year but will instead fund them at the realistic amount necessary to complete the year.

7. When a forecast predicts annual revenues to exceed annual expenditures, the following options should be considered for the excess revenue:
    - building up reserve fund target levels
    - reducing debt
    - advancing deferred capital expenditures
    - funding the other postemployment benefits liability
    - accelerating payments on other long-term obligations
    - restoring services reduced from prior years
    - new initiatives
    - tax relief
8. The Board of Assessors will vote to authorize a contribution to the overlay account to offset the Town's liability for unpaid property taxes caused by abatements and exemptions. This amount shall be based on:
    - Current balance in the overlay account
    - Three-year average of granted abatements and exemptions
    - Cases pending before, or on appeal from, the Appellate Tax Board
    - Timing of the next five-year certification review by the Division of Local Services

D. Budget Calendar

The annual budget process begins in November with a forecast presentation in a joint meeting of the Select Board and Finance Committee, and it ends with annual town meeting in May. The Finance Committee will coordinate a budget process that enables early identification and review of major policy issues and allows adequate time for public input and analysis of options, leading to the timely publication of the annual town meeting warrant.

At the start of the process each year, the Select Board and Finance Committee will establish specific calendar due dates for each of the sequential tasks listed in the table below, at minimum, and distribute the updated calendar to all applicable parties.

Month	Date	Milestones
October		▪ Budget schedule to departments ▪ Capital project requests due from departments
November		▪ Cost-of-living adjustment (COLA) ▪ Meeting with School Committee and Superintendent ▪ Select Board and Finance Committee hold first budget meeting and review forecast ▪ Distribute budget instructions to departments
December		▪ Meeting with School Committee and Superintendent ▪ All money articles due (hard copy to Town Clerk) ▪ Departments submit their budget requests to Finance Committee ▪ Select Board identified capital project recommendations
January		▪ Select Board and Finance Committee hold joint budget review workshop ▪ Departments' annual reports due ▪ Annual town meeting (ATM) warrant closed

Month	Date	Milestones
February		▪ Finance Committee budget recommendations due ▪ Distribute personnel spreadsheets with next-year COLAs to departments ▪ Departments return COLA spreadsheets to Finance Committee ▪ Special town meeting (STM) warrant closed
March		▪ Last day for ballot questions ▪ Select Board sign ATM & STM warrants ▪ ATM and STM warrants to the printer ▪ Annual town report to the printer ▪ Last day to post STM warrant (14 days before)
April		▪ Last day to post ATM warrant (7 days before) ▪ Warrant booklets and annual town report available for voters ▪ Hold annual and special town meetings ▪ Hold annual town elections
May		▪ Town Clerk send any certified bylaw votes to Attorney General and any override or exclusion referendum voting results to DLS

E. Budget Document

The Select Board and Finance Committee will produce a transparent and reader-friendly budget document that presents short- and long-term strategic objectives and explains fiscal challenges. It will incorporate narrative information on departmental and organizational goals, the plans and resource allocations needed to meet them, graphical information about available finances, analyses of revenues and expenses, and outstanding debt, and summary of the Town's capital plan.

REFERENCES

M.G.L. c. 39, §§ 10, 16 M.G.L. c. 40 § 6 M.G.L. c. 41, §§ 15A, 59, 60 M.G.L. c. 44, §§ 33A, 33B
M.G.L. c. 58, §§ 25, 25A M.G.L. c. 59, § 21C M.G.L. c. 71, §§ 16B, 16B½

Division of Local Services Best Practice: *Annual Budget Process in Towns*

Government Finance Officers Association Best Practices: *Achieving a Structurally Balanced Budget, Working Capital Targets for Enterprise Funds*, and *Distinguished Budget Presentation Criteria*

EFFECTIVE DATE

This policy was adopted on [date].

Sample Financial Reserve Policy

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:

- Select Board and Finance Committee in their budget decision-making roles
- Town Accountant and Board of Assessors job duties

Scope:

- 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 Finance Committee 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 fund[1]

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 Accountant 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.

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:

1. Current balance in the overlay account
2. Three-year average of granted abatements and exemptions.
3. Abatement liability of cases pending before, or on appeal from, the Appellate Tax Board
4. 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 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 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.

[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 would be applicable if the acceptance happens in the future.

REFERENCES

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

Sample Capital Planning Policy

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 meets its capital needs despite limited resources.

APPLICABILITY AND SCOPE

Applies to:

- Select Board, Finance Committee, and Capital Planning Committee in their budget decision-making roles
- Town Accountant job duties
- All department heads in planning for and requesting capital projects

Scope:

- 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.

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 Accountant, 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 Select Board will solicit capital project requests from department heads, assemble the responses, and provide them to the CPC. The Select Board 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:

5. Eliminates a hazard to public health and safety.
6. Required by state or federal laws or regulations.
7. Uses outside financing sources, such as grants.
8. Supports adopted plans, goals, objectives, and policies.
9. Stabilizes or reduces operating costs.
10. Makes better use of a facility or replaces a clearly obsolete one.
11. Maintains or improves productivity or existing standards of service.

12. Directly benefits the Town's economic base by increasing property values.
13. Provides new programs having social, cultural, historic, economic, or aesthetic value.

D. Multiyear Capital Improvement Plan

The CPC will provide the Select Board 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.

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 Brimfield'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

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].

Sample Debt Management Policy

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:

- Board of Selectmen, 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:

- 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. <u>Debt Financing</u>

In financing with debt, the Town will:

- 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.

- Use available funds to the greatest extent possible to reduce the amount of borrowing on all debt-financed projects.
- 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.
- Refrain from using debt to fund any recurring purpose, such as current operating and maintenance expenditures.
    - Consider using revenue bonds, special assessment bonds, or other types of self-supporting bonds instead of general obligation bonds whenever possible.
    - Use special assessments, betterment assessments, and similar dedicated revenues to fund long-term debt.
    - 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:

14. 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.
15. 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.
16. 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:

- 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.
- 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.
- 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).
- 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.

- 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.
- 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 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 Brimfield'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

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

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].

Sample Reconciliation Policy

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 Brimfield's financial records.

APPLICABILITY AND SCOPE

Applies to:

- 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:

- 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

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].

Sample Tax Enforcement Policy

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:

- Treasurer/Collector job duties
- Town's contracted tax title attorney

Scope:

- Enforcement of delinquent property tax liens
- Resolution of tax title accounts

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.

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.

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 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 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

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].

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