

TOWN OF CARLISLE

FINANCIAL POLICIES | A COMMUNITY COMPACT CABINET INITIATIVE

DECEMBER 2016



DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

PREPARED BY:

DLS | Technical Assistance Bureau

100 Cambridge Street, Boston, MA 02114

www.mass.gov/dls

Zack Blake, Chief, Technical Assistance Bureau

Melinda Ordway, Senior Project Manager, Technical Assistance Bureau

Amy Handfield, Field Representative, Bureau of Accounts



DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

Michael J. Heffernan
Commissioner of Revenue

Sean R. Cronin
Senior Deputy Commissioner

December 2, 2016

Timothy Goddard
Town Administrator
66 Westford Street
Carlisle, MA 01741

Dear Mr. Goddard,

I am pleased to present the enclosed set of financial policies for the Town of Carlisle. As part of the Baker-Polito Administration's commitment to cities and towns, the Community Compact Cabinet initiative strives to create clear mutual standards, expectations, and accountability for both the state and municipalities. It is our hope that these policies provide useful guidance and consistency in Carlisle's fiscal decisions, as together we seek to build better government for our citizens.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean R. Cronin".

Sean R. Cronin
Senior Deputy Commissioner

Supporting a Commonwealth of Communities

mass.gov/DLS | P.O. Box 9569 Boston, MA 02114-9569 | (617) 626-2300

INTRODUCTION

At the board of selectmen's request, the Division of Local Services Technical Assistance Bureau (TAB) created a set of financial policies for the Town of Carlisle. This project was a result of the Community Compact Cabinet (CCC) initiative (www.mass.gov/ccc), whose goal is to encourage best practices that promote efficiency, accountability, and transparency in municipal government. The adoption of formal financial policies provides instructive guidance and promotes consistency as local officials plan, direct, monitor, and protect municipal assets and resources.

To develop policies for Carlisle, we interviewed local officials and examined the town's bylaws, existing policies, and finance-related documents. We also surveyed comparable communities and reviewed professional association guidance to gauge standards and validate recommended practices. The policies provided here represent this cumulative effort and are presented for local review and acceptance.

BACKGROUND

Nestled in Middlesex County, the Town of Carlisle (pop. 5,028) is a predominantly residential community with a land area of about 15.4 square miles. Originally part of the surrounding towns of Concord, Acton, Chelmsford and Billerica, the town was incorporated in 1805. It began as an agricultural community and has maintained its natural, rural charm with over 30 percent of the land under some form of conservation restriction, including active farms and a cranberry bog.

Carlisle operates under a board of selectmen-open town meeting form of government. The select board appoints a town administrator, who supervises all department heads and serves as a liaison to other separately elected boards and officials who otherwise do not report to selectmen. These include the board of assessors, board of health, library trustees, moderator, planning board, school committee, and town clerk.

Carlisle's FY2017 operating budget of \$30.46 million is funded through four revenue sources: the property tax levy (84.3 percent), state aid (4.2 percent), local receipts (8.9 percent), and other available sources (2.6 percent). The town offers a full range of municipal services, including a full-time police force, fire department, ambulance service, public works department, library, recreation department and council on aging. The town has its own K-8 school system and is a member of Concord Carlisle Regional School District. It is also part of the Minuteman Regional Vocational High School through FY2017 because of a recent vote this past February to withdraw from the district.

Education-related expenditures represent the largest portion of the town's annual general fund operating budget at 65 percent.

In FY2016, the latest year of complete statewide fiscal information, Carlisle's average single-family tax bill of \$13,588 ranked 4th among Middlesex County communities and 6th statewide, and more than twice the statewide average of \$5,419. As a measure of relative wealth, the town's per capita income of \$107,207 placed it 6th among 54 communities in Middlesex County and 9th statewide. Carlisle's per capita equalized valuation of \$246,827 was about 50 percent higher than the county average and 69 percent higher than the statewide average of \$146,006.

The Town of Carlisle is an affluent community that maintains conservative budgeting practices by closely monitoring spending and striving to retain ample reserves. The community has a history of successful debt exclusion votes to fund major capital projects and has not needed to levy to its maximum allowable limit in recent years, with nearly \$2.1 million in excess levy capacity in FY2017. Carlisle's certified free cash for FY2017 is over \$2.4 million, or about 8.0 percent of the budget, while the general stabilization fund balance is \$1.16 million, or about 3.8 percent of the budget. The town also established a trust fund to finance other post-employment benefits (OPEB) for retirees, which has a current fund balance of about \$0.69 million.

As a result of the town's fiscal strengths and planning efforts, Carlisle's bond rating is Aa1. According to Moody's Investor's Service, their rating reflects the community's affluent tax base, manageable debt burden and stable financial operations. However, it also makes note of Carlisle's informal financial policies, which is reiterated by the town's auditor, CliftonLarsonAllen LLP. The concern is without formalized policies that Carlisle could experience or be subject to inconsistencies in its operations. In an effort to address this weakness, the board of selectmen requested assistance in developing financial policies through the Community Compact Cabinet initiative.

Over the years, Carlisle has developed various accounting and administrative policies. However, most are informal and a matter of past practice. The town has a few written policies on budget preparation, capital planning, procurement of supplies and services, disposal of town owned property, cash receipts, and financial reserves. Clearly, the town would benefit from developing formalized policies in other areas.

The policies contained in the manual that follows establish a framework that includes a stated purpose, applicability, responsible parties, and legal or other references. We offer 12 financial policies, nine are new for the community and three are revised policies based on changes in laws or procedures implemented by the new finance director. Each policy should be adopted by the town's

policymakers, including the select board, finance committee, and school committee to demonstrate support and to set expectations for departments to follow. As living documents, we also suggest that the policies be regularly reviewed to ensure they are current and accurately reflect existing practice. Town officials should further set a goal to add new needed policies annually.

Finally, note that many policies contain specific provisions that local leaders need to consider and decide upon. An example taken from the policy on financial reserves is: “The Town will strive to maintain overall reserves in the level of [eight to ten] percent of the annual operating budget.” In each case, the draft policy has brackets around the decision point with the word(s) in the bracket representing our suggested figure or range based on researched best practices. In these cases, local officials should finalize the decisions and remove the brackets prior to adopting the policies. Our policies also reflect recent changes due to [Chapter 218 of the Acts of 2016](#), An Act Modernizing Municipal Finance and Government. Among the Act’s provisions, many of which became effective on November 7, 2016, it eliminates or updates obsolete laws, promotes local independence, streamlines state oversight, and provides municipalities with greater flexibility.

TOWN OF CARLISLE

FINANCIAL POLICIES MANUAL



INTRODUCTION

The Town of Carlisle is committed to safeguarding public funds, protecting local assets, and complying with financial standards and regulations. To that end, this manual of financial policies provides guidance for local planning and decision making. The policies as a whole are intended to outline objectives, provide formal direction, and define authority to help ensure sound fiscal stewardship and management practices. Each is a living document that should be reviewed periodically and updated as necessary.

With these policies, the Town of Carlisle, through its Board of Selectmen, Finance Committee, and employees, commits to the following objectives:

- Sustaining a consistent level of service and value for residents
- Safeguarding financial integrity and minimizing risk through a system of internal controls
- Ensuring the quality and maintenance of capital assets
- Conforming to general law, uniform professional standards, and municipal best practices
- Protecting and enhancing the town's credit rating
- Promoting transparency and public disclosure

TABLE OF CONTENTS

Forecasting.....	1
Financial Reserves.....	4
Overlay	6
Debt Management.....	8
Investments.....	10
Other Postemployment Benefits Liability.....	14
Tax Enforcement.....	17
Revenue Turnover.....	20
Reconciliations	22
Antifraud	25
Procurement Conflict of Interest	28
Disbursements	31
Appendix I: Policy Adoption/Revision Log	33
Appendix II: MA Collectors and Treasurers Association Annual School Handouts, Course 202	35

FORECASTING

PURPOSE

To assess the range of choices available to budget decision makers when determining how to allocate resources, this policy establishes guidelines for evaluating revenue sources and the requirement to determine an expenditure strategy as part of the annual budget process and longer range fiscal planning. Forecasting helps local officials understand the long-range implications of pending near-term decisions.

APPLICABILITY

This policy applies to the Board of Selectmen and Finance Committee as Carlisle's budget decision makers. It also applies to the job responsibilities of the Town Administrator, Finance Director, School Superintendent, School Business Manager, and all the managers of revenue-generating departments.

POLICY

A. Revenue Guidelines

The Town will continually seek to diversify its revenue to improve the equity and stability of sources. Each year and whenever appropriate, the Town will reexamine existing revenues and explore potential new sources. A balance will be sought between elastic and inelastic revenues to minimize any adverse effects caused by inflation or other economic changes. Additionally, intergovernmental revenues (e.g., local aid, grants) will be reviewed annually to determine their short- and long-term stability in order to minimize detrimental impacts.

The Town will avoid using one-time revenues to fund ongoing or recurring operating expenditures. These one-time revenue sources can include, but are not limited to, free cash, overlay surplus, sale of municipal equipment, legal settlements, insurance proceeds, and gifts. Additionally, the Town hereby establishes the following priority order when appropriating one-time revenues:

- [Cash capital budget]
- [General stabilization fund]
- [OPEB trust fund]
- [Other]

Economic downturns or unanticipated fiscal stresses may compel reasonable exceptions to the use of one-time revenue. In such cases, Finance Committee, in consultation with the Finance Director, can recommend to Town Meeting its use for operational appropriations. Such use will trigger the Finance Director to develop an action plan to avoid continued reliance on one-time revenues.

Historically, bond premiums (net of issuance costs) have been considered general one-time revenue to be used as an available source. [Chapter 218 of the Acts of 2016](#) (Municipal Modernization Act) amends current law by allowing communities to either apply the proceeds to the issuance, thereby reducing the amount needed to borrow, or to place the money in a separate fund and appropriate it for a future capital project. (Note: Premiums received for excluded debt must still be used to offset the stated interest costs of financing the project.)

State laws impose further restrictions on how certain types of one-time revenues may be used. The Town will consult the following General Laws when the revenue source is:

- Sale of real estate: [M.G.L. c. 44, §63](#) and [M.G.L. c. 44, §63A](#)
- Gifts and grants: [M.G.L. c. 44, §53A](#) and [M.G.L. c. 53A½](#)

This policy further entails the following expectations regarding revenues:

- The Assessing Department will maintain property assessments for the purpose of taxation at full and fair market value as prescribed by state law.
- Town departments that charge fees shall annually review their fee schedules and propose adjustments when needed to ensure coverage of service costs.
- The Building Department will notify the Finance Director of any moderate-to-large developments that could impact building permit volume.
- Department heads will strive to be informed of all available grants and other aid and will carefully consider any related restrictive covenants or matching requirements (both dollar and level-of-effort) to determine the cost-benefit of pursuing them.
- Revenue estimates will be adjusted throughout the budget cycle as more information becomes available.

B. Expenditure Guidelines

Annually, the Town 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.

C. Financial Forecast Guidelines

To determine the Town's operating capacity for each forthcoming fiscal year, the Finance Director will annually create and provide the Board of Selectmen and Finance Committee with a detailed budget forecast. The Finance Director shall also annually prepare a [five]-year financial projection of revenues and expenditures for all operating funds. These forecasts shall be used as planning tools in developing the following year's operating budget as well as the five-year capital improvement plan.

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

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

- Current service levels will be maintained
- Property taxes (absent overrides) will grow at the limits of Proposition 2½
- New growth will be projected conservatively, taking into account the Town's three-year average by property class
- State net school spending requirements will be annually met or exceeded
- Local receipts and state aid will reflect economic cycles
- Historical trends in the growth of operating expenses and employee benefits
- Estimated cost-of-living adjustments of future contract settlements and compensation plan increases
- Debt service on existing debt will be paid and Capital Planning and Debt policies will be followed
- Annual pension contributions and appropriations to amortize its other postemployment benefit liabilities will continue
- Reserves will be built and maintained in compliance with its Financial Reserves policy

REFERENCES

[Chapter 218 of the Acts of 2016](#)

[M.G.L. c. 44, §63](#)

[M.G.L. c. 44, §63A](#)

[M.G.L. c. 44, §53A](#)

[M.G.L. c. 53A½](#)

[M.G.L. c. 44, §20](#)

Carlisle Debt Management Policy

Carlisle Financial Reserves Policy

Division of Local Services Best Practice: [Revenue and Expenditure Forecasting](#)

Division of Local Services Bulletin 2013-01B: [Bond Premiums and Debt Exclusions](#)

Government Finance Officers Association article: [Structuring the Revenue Forecasting Process](#)

EFFECTIVE DATE

This policy was adopted on []

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

APPLICABILITY

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

POLICY

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

A. Free Cash

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

The Town shall set a year-to-year goal of maintaining its free cash in the range of [three to five] percent of the annual budget. To achieve this, the Finance Director shall propose budgets with conservative revenue projections, and department heads shall carefully manage their appropriations to produce excess income and budget turn backs. Further, budget decision makers will avoid fully depleting the Town's free cash in any year, so that the succeeding year's calculation can begin with a positive balance. Moreover, as much practicable, the Town will limit its use of free cash to funding one-time expenditures (such as capital projects or emergencies and other unanticipated expenditures) and will appropriate any excess above [five] percent of the annual budget to reserves or to offset unfunded liabilities.

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. Prior to the adoption of this policy, the Town established and appropriated to a general stabilization fund.

The Town will endeavor to maintain a minimum balance of [five] percent of the current operating budget in its general stabilization fund. Withdrawals from general stabilization should only be used to mitigate emergencies or other unanticipated events that cannot be supported by current general fund appropriations. When possible, withdrawals of funds should be limited to the amount available above the [five] percent minimum reserve target level. If any necessary withdrawal drives the balance below the minimum level, the withdrawal should be limited to one-third of the general stabilization fund balance. Further, the Finance Director shall develop a detailed plan to replenish the fund to the minimum level within the next [two] fiscal years.

C. Overlay Surplus

The overlay is a reserve the Town uses to offset unrealized revenues resulting from property tax abatements and exemptions. Carlisle officials will prudently manage the overlay in accordance with the Town's Overlay policy to avoid the need to raise overlay deficits in the tax levy.

At the conclusion of each fiscal year, the Board of Assessors shall submit to the Finance Director an update of the overlay reserve with data that includes, but is not limited to, the gross balance, potential abatement liabilities, and any transfers to surplus. If the balance exceeds the amount of potential liabilities, the Board of Selectmen may request that the Board of Assessors vote to declare those balances surplus 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](#)

Carlisle Overlay Policy

DLS Best Practices: [Free Cash](#) [Reserve Policies](#)

DLS Informational Guideline Release 16-104: [Overlay and Overlay Surplus](#)

Government Finance Officers Association: [Appropriate Level of Unrestricted Fund Balance in the General Fund](#)

EFFECTIVE DATE

This policy was adopted on [].

OVERLAY

PURPOSE

To ensure the proper treatment of the overlay account, this policy sets guidelines for determining the annual overlay amount in the Town's budget and for deciding whether any overlay balance can be certified as surplus. The allowance for abatements and exemptions, commonly referred to as the overlay, is an account to offset anticipated abatements and exemptions of committed real and personal property taxes. The account may also be charged in the event property taxes are deemed to be uncollectable.

Effective November 7, 2016, the Municipal Modernization Act ([Chapter 218 of the Acts of 2016](#)) (Municipal Modernization Act) provides for a single overlay account. Previously, a community had to maintain separate overlay reserves for each fiscal year and could not use the surplus from one year to cover another year's deficit without a multistep process involving the assessors, accounting officer, and local legislative body. However, the Act allows all existing overlay balances to be transferred to a single account. Although this policy treats overlay as a single account, to continue historical information and facilitate reconciliations, the Town Accountant may elect to maintain subsidiary ledgers by levy year for overlay balances.

APPLICABILITY

This policy applies to the job duties of the Board of Assessors, Principal Assessor, and Finance Director, Town Accountant, as well as to the Selectmen's and Finance Committee's responsibilities as budget decision makers.

POLICY

A. Annual Overlay

Each year, the Board of Assessors shall vote in an open meeting to authorize a contribution to the overlay account as part of the budget process and to raise it without appropriation on the Town's Tax Recap Sheet. The Principal Assessor will propose this annual overlay amount to the Board of Assessors based on the following:

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

The Board of Assessors shall notify the Finance Director of the amount of overlay voted.

B. Excess Overlay

Annually, the Finance Director and Principal Assessor will conduct an analysis to see if there is any excess in the overlay account by factoring the following:

- Current balance in the overlay account after reconciling with the Town Accountant's records
- Balance of the property tax receivables, which represents the total real and personal property taxes still outstanding for all levy years
- Estimated amount of potential abatements, including any cases subject to ATB hearings or other litigation

Upon determining any excess in the overlay account, the Principal Assessor shall present the analysis to the Board of Assessors for its review.

C. Overlay Surplus

If there is an excess balance in the overlay account, the Board of Assessors shall formally vote in an open meeting to certify the amount to transfer to overlay surplus and shall notify the Board of Selectmen and Finance Director in writing of its vote. If the Board of Selectmen makes a written request for a determination of overlay surplus, the Board of Assessors shall vote on the matter within the next 10 days and notify the Board of Selectmen and Finance Director of the result in writing.

After being certified, Town Meeting may appropriate overlay surplus for any lawful purpose until the end of the fiscal year. However, the appropriation should be as prescribed in the Town's Forecasting policy (re: treatment of one-time revenues) and its Financial Reserves policy (re: overlay surplus). Overlay surplus not appropriated by year-end closes to the general fund's undesignated fund balance.

REFERENCES

[M.G.L. c. 59, §25](#)

[Chapter 218 of the Acts of 2016](#)

Carlisle Forecasting Policy

Carlisle Financial Reserves Policy

DLS Informational Guideline Release 16-104: [Overlay and Overlay Surplus](#)

EFFECTIVE DATE

This policy was adopted on []

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 maintain capital investment capacity. This policy is also intended to maintain and enhance the town's bond rating so as to achieve long-term interest savings.

APPLICABILITY

This policy applies to the Board of Selectmen, Finance Committee, and School Committee in their budget decision making and in the Finance Director's debt reporting. It also applies to the Finance Director's budget analysis duties and, the role as Treasurer/Collector, the statutory responsibilities associated with debt management.

POLICY

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

A. Debt Financing

In financing with debt, the Town will:

1. Issue long-term debt only for objects or purposes that are financially supported and authorized by state law
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 improvements and projects that cost at least [\$25,000] and that have useful lifespans of at least [five] years or whose lifespans will be prolonged by at least [five] years
4. Refrain from using debt to fund any recurring purpose, such as current operating and maintenance expenditures
5. Use revenue bonds, special assessment bonds, or other types of self-supporting bonds instead of general obligation bonds whenever possible

B. Debt Limits

The Town will adhere to these debt parameters:

1. Total debt service, including debt exclusions and self-supporting debt, will be limited to [10] percent of general fund revenues, with a target balance of [5 – 7] percent.
2. By statute, a community's debt limit equals 5 percent of its most recent equalized valuation.

C. Structure and Term of Debt

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

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 30 years.
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 guidelines](#) promulgated by the Division of Local Services.
4. 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 the debt issuance's tax-exempt status.

D. Protection of Bond Rating

To protect its 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

E. Reporting

- [The Finance Director, in the role as Treasurer/Collector, or the town's financial advisor] will report to the Board of Selectmen on the Town's debt status at least annually.
- The Town Accountant will include a statement of debt in an annual report of appropriations, receipts, and expenditures.

REFERENCES

[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](#)

Division of Local Services Guidance: [Understanding Municipal Debt](#)

Internal Revenue Code of 1986, as amended, [Section 148](#)

Internal Revenue Service's [Arbitrage Guidance for Tax-Exempt Bonds](#)

EFFECTIVE DATE

This policy was adopted on []

INVESTMENTS

PURPOSE

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

APPLICABILITY

This policy pertains to short-term operating funds, including general funds, special revenue funds, bond proceeds, capital project funds, and to all accounts designated as long-term (e.g., trusts, stabilization fund, other postemployment benefits trust fund (OPEB), and others the Town may set aside for long-term use, including scholarship and perpetual care funds) It does not pertain to the Town's retirement fund, which is managed by the Middlesex County Retirement Board. This policy applies to the Finance Director, in the role as Treasurer, his or her designee(s), and any advisors or other professionals in their responsibilities for investing and managing Town funds.

POLICY

The Treasurer/Collector shall invest funds in a manner that meets the Town's daily operating cash flow requirements and conforms to state statutes governing public funds while also adhering to generally accepted diversification, collateralization, and the prudent investment principles regarding safety, liquidity, and yield. The Treasurer/Collector shall separately maintain all long-term accounts so as to individually receive their proportionate interest and any realized and unrealized gains or losses. All trust funds shall fall under the Treasurer/Collector's control unless otherwise directed by the donor.

Through this policy, the Town accepts the allowable investment instruments, diversification principles, and investment restrictions regarding short- and long-term funds allowed by state statutes, updated by [Chapter 218 of the Acts of 2016](#) (Municipal Modernization Act), and as published by the Massachusetts Collectors and Treasurers Association (MCTA). The latest MCTA guidance is included in the Appendix of this policy manual. (Note: Section 94 of Chapter 218 of the Acts of 2016 amends current law to permit investment in certificates of deposit (CDs) for up to 3 years. The MCTA guidance was printed prior to this change and does not reflect the updated law.)

A. Investment Objectives

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

- Investments shall be undertaken in a manner that seeks to ensure the preservation of capital through the mitigation of credit and interest rate risks. The Treasurer/Collector will mitigate these risks by prudently selecting and diversifying investment instruments and depository choices.
- The Treasurer/Collector shall ensure the overall investment portfolio remains sufficiently liquid to meet all reasonably anticipated operating requirements. Since all possible cash

demands cannot be anticipated, the Treasurer/Collector shall carry out investment activities in a manner that provides for meeting unusual cash demands without liquidating investments and thereby potentially forfeiting accrued interest earnings and losing principal.

- The Treasurer/Collector investments shall be undertaken so as to achieve a fair market average rate of return, taking into account safety and liquidity constraints as well as all legal requirements.

B. Risk Tolerance

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

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

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

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

C. Ethics

The Treasurer/Collector (and Assistant Treasurer) shall refrain from any personal activity that may conflict with the proper execution of the investment program or that could impair or appear to impair ability to make impartial investment decisions. Said individuals shall disclose to the Town Administrator any material financial interest in financial institutions that do business with the Town. They shall also disclose any large personal financial investment positions or loans that could be related to the performance of the Town's investments.

D. Relationship with Financial Institutions

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

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

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

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

E. Reporting Requirements

The Treasurer/Collector will assess investment activity and keep the Board of Selectmen, Town Administrator, and Finance Committee apprised of any major changes by providing a report of investment activity annually or more often as needed.

The investment activity report should include the following information at a 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 basis
- Brief statement of general market and economic conditions and other factors that may affect the Town's cash position
- Statement on the degree of compliance with the tenets set forth in this policy

REFERENCES

[M.G.L. c. 44, §54, 55, 55A, 55B](#)

[M.G.L. c. 29 §38A](#)

[M.G.L. c. 167 §15A](#)

[Chapter 218 of the Acts of 2016](#)

Office of the Commissioner of Banks, [List of Legal Investments](#)

MCTA Investment Policy Statements (Appendix)

GASB Statement No. 40, as amended by Statement No. 3, March 2003, [Deposit and Investment Risk Disclosures](#)

Government Finance Officers Association Best Practice, October 2010, [Creating an Investment Policy](#)

EFFECTIVE DATE

This policy was adopted on []

OTHER POSTEMPLOYMENT BENEFITS LIABILITY

PURPOSE

To provide the basis for a responsible plan for meeting the Town's obligation to provide other postemployment benefits (OPEBs) to eligible current and future retirees. This policy provides guidelines designed to ensure OPEB sustainability and achieve generational equity among those called upon to financially support OPEBs, thereby avoiding transferring costs into the future.

APPLICABILITY

This policy encompasses OPEB-related budget decisions, accounting, financial reporting, and investment. It applies to the Board of Selectmen and Finance Committee in their budget decision-making responsibilities. The policy also applies to the OPEB-related duties of the Finance Director, Town Accountant and Trustees of the Town's OPEB Trust Fund.

BACKGROUND

In addition to salaries, the Town of Carlisle compensates employees in a variety of other forms. Many earn benefits over their years of service that they will not receive until after retirement. A pension is one such earned benefit. Another is a set of retirement insurance plans for health, dental, and life. These are collectively referred to as other postemployment benefits or OPEBs.

OPEBs represent a significant liability for the Town that must be properly measured, reported, and planned for financially. As part of a long-range plan to fund this obligation, the Town established an OPEB Trust Fund, which allows for long-term asset investment at higher rates of return than those realized by general operating funds.

POLICY

The Town of Carlisle is committed to funding the long-term cost of the benefits promised its employees. To do so, the Town will accumulate resources for future benefit payments in a disciplined, methodical manner during the active service life of employees. The Town will also periodically assess strategies to mitigate its OPEB liability. This involves evaluating the structure of offered benefits and their cost drivers while at the same time avoiding benefit reductions that would place undue burdens on employees or risk making the Town an uncompetitive employer.

A. Accounting, Reporting, and Investment

The Finance Director will obtain actuarial analyses of the Town's OPEB liability every two years and will annually report the Town's OPEB obligations in financial statements that comply with the current guidelines of the Governmental Accounting Standards Board.

As custodian, the Finance Director will be responsible for investing the fund's assets and for managing its associated bank account and any subaccounts. The Finance Director will manage the OPEB Trust Fund in conformance with the Town's Investment policy and the state's prudent investor laws. The Trustees will maintain oversight of the fund by reviewing the banking and investment activity. On an annual basis, the Town will analyze its option to invest its OPEB trust with the State Retiree Benefits Trust Fund or other alternatives. (Note: Section 238 of [Chapter 218 of the Acts of 2016](#) (Municipal Modernization Act) specifically provides that OPEB funds established before the effective date of the Act, November 7, 2016, will continue as originally established, unless the community "reaccepts said section 20 of said chapter 32B after the effective date of this

act." Therefore, to operate an OPEB fund under the amended section 20, town meeting would have to vote to reaccept MGL c. 32B, sec. 20 after November 7, 2016.)

The Finance Director shall ensure that the Town's independent audit firm reviews compliance with the accounting, reporting, and investment provisions of this policy as part of its annual audits and will report on these to the Board of Selectmen.

B. Mitigation

On an ongoing basis, the Town will assess healthcare cost containment measures and evaluate strategies to mitigate its OPEB liability. The Finance Director shall monitor proposed laws affecting OPEBs and Medicare and analyze their impacts. The Finance Director shall regularly audit the group insurance and retiree rolls and drop any participants found to be ineligible based on work hours, active Medicare status, or other factors.

C. Funding

To address the OPEB liability, decision makers shall analyze a variety of funding strategies and subsequently implement them as appropriate with the intention of fully funding the obligation. The Town shall derive funding to invest in the OPEB trust from taxation, free cash, and any other legal form.

Achieving full funding of the liability requires the Town to commit to funding its annual required contribution (ARC) each year, which is calculated based on actuarial projections. Among strategies to consider for funding the ARC:

- Transfer unexpended funds from insurance line items to the OPEB trust
- Appropriate amounts equal to the Town's Medicare Part D reimbursements
- Determine and commit to appropriating annual portions of free cash
- Appropriate a percentage of ongoing revenues that is increased incrementally each year
- Once the pension system is fully funded, on a subsequent annual basis, appropriate to the OPEB trust amounts equivalent to the former pension-funding payment

REFERENCES

[M.G.L. c. 32B, §20](#) [M.G.L. c. 44, §54](#) [M.G.L. c. 44, §55](#) [M.G.L. c. 203C, §3](#)
[Chapter 218 of the Acts of 2016](#)

Carlisle Investments Policy

GASB Statement 74: [Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans](#), July 2016.

GASB Statement 45: [Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions](#), June 2004. This statement will be replaced by Statement 75 effective July 1, 2017.

GFOA Best Practice: [Ensuring Other Postemployment Benefits \(OPEB\) Sustainability](#)

GFOA Best Practice: [Sustainable Funding Practices for Defined Benefit Pensions and Other Postemployment Benefits \(OPEB\)](#)

EFFECTIVE DATE

This policy was adopted on []

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 of Carlisle and its residents that property taxes be paid when due. Town and School budgets are set in anticipation of the collection of taxes, and taxes not paid by some property owners shift the cost burden onto others. The Town recognizes that individuals may go through periods of financial difficulty, but any taxpayer who becomes delinquent will be encouraged to find alternative resources to pay in full as soon as possible.

APPLICABILITY

This policy applies to the job duties of the Finance Director in the role as Treasurer/Collector, including those duties related to managing the Town's contracted services with the Tax Title Attorney. Tax enforcement applies to all owners of real or personal property in the Town of Carlisle whose taxes are not exempt.

POLICY

The Town of Carlisle intends to timely pursue all legal methods to collect taxes from delinquent property owners with the aim of achieving a target [97 percent] property tax collection rate by fiscal year-end. The town will also timely and annually pursue foreclosure actions with the primary objective of receiving all monies due the Town. The costs of collection methods accrue against the taxpayer and may add to the property lien. Delinquent taxes represent a lien on property and remain in effect until all taxes, interest, and fees have been paid in full.

A. Demands

Final taxes are due to be paid as of May 1st each year (the due date for the 4th quarter tax bill). Fifteen days later, the Treasurer/Collector shall issue demand notices to all assessed property owners who have failed to pay in full and who have not been granted full exemptions. Taxpayers are responsible for notifying the Town in writing of any mailing address changes.

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 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 1st, the Treasurer/Collector will publish a Notice of Tax Taking in a local newspaper and post the notice in two or more convenient, public places. From this point onward only cash, certified check, or cashier's check are acceptable forms of payment.

Within 60 days of the tax taking announcements, the Treasurer/Collector shall prepare an Instrument of Taking for each delinquent property at the Registry of Deeds, the recording of which perfects the tax lien. After receiving the recorded Instruments back from the Registry, the Treasurer/Collector will notify affected property owners of the liens by sending each of them a letter and a photocopy of the Instrument. The Treasurer/Collector shall make two copies of the List of Recorded Takings and provide one each to the Board of Selectmen and Town Accountant.

C. Subsequent Taxes

After the demand bill and before June 15th each year, the Treasurer/Collector will certify all unpaid taxes and assessments 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 list. The Treasurer/Collector will provide copies of the list to the Board of Selectmen and Town Accountant and retain one on file.

D. Interest, Fees, and License Revocation

All delinquent taxpayers are subject to charges, which will be added to their accounts by the Treasurer/Collector. These include interest accrued to the date of taking, advertising fees, certified mailing costs, legal fees, and Instrument of Taking recording fees.

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

E. Payment Plans

The Treasurer/Collector will consider payment plans for parcels in tax title to allow delinquents to pay off their tax liens over a specified number of months. The Treasurer/Collector will actively monitor compliance with all payment plans, which shall have the following features in common:

- An upfront good faith payment of 25 percent of taxes owed
- Signed agreement between the Treasurer/Collector and taxpayer
- Specific amount to be paid each month
- Incorporation of payments for the current tax bill
- Statement that defaulting on the plan will immediately trigger foreclosure action by the Town

F. Redemption or Foreclosure

The primary policy goal of the Town's foreclosure process is getting outstanding amounts paid; however, it is also a policy goal to eventually achieve foreclosure on every persistently delinquent property on an annual basis.

On a quarterly basis, the Treasurer/Collector shall identify all tax title properties older than 180 days to initiate foreclosure procedures. The Treasurer/Collector is responsible for completing foreclosures for any properties below the "Land of Low Value" threshold, which is annually updated

each spring by the Division of Local Services. The Treasurer/Collector shall thoroughly review all other tax title properties before referring them the Tax Title Attorney for foreclosure processing in Land Court, beginning with those having the largest dollar value of taxes owed.

As manager of the service contract, the Treasurer/Collector shall ensure the Tax Title Attorney complies with the objectives laid out in this policy section. The Treasurer/Collector will work with Tax Title Attorney to prepare parcels in tax title status for foreclosure, beginning by providing each Instrument of Taking. The Tax Title Attorney will review and 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 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.

REFERENCES

[M.G.L. c. 60 §6](#)

[M.G.L. c. 60 §16](#)

[M.G.L. c. 60 §50](#)

[M.G.L. c. 60 §53](#)

[M.G.L. c. 60 §54](#)

[M.G.L. c. 40 §57](#)

[M.G.L. c. 60 §61](#)

[M.G.L. c. 60 §62](#)

[M.G.L. c. 60 §63](#)

[M.G.L. c. 60 §76](#)

[M.G.L. c. 60 §77](#)

[M.G.L. c. 60 §79](#)

[M.G.L. c. 60 §80](#)

Town of Carlisle Bylaw: Section 14.8, Denial or Revocation of Permits

DLS Best Practice: [Enforcing Collections](#)

DLS Information Guideline Release on Land of Low Value Foreclosure Valuation Limit updated annually

EFFECTIVE DATE

This policy was adopted on []

REVENUE TURNOVER

PURPOSE

To safeguard Town assets and maximize cash flow, the Town establishes this policy that provides guidelines for departments to turn over receipts to the Finance Director in the role as 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

This policy pertains to all cash, check, credit card, and other forms of payment received by all Town departments for taxes, excise, fees, federal and state government receipts, and charges. It applies to the individuals within each department assigned responsibility for handling payments.

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 must turn over at least weekly and must do so immediately whenever collections total \$500 or more. All current month turnovers will be completed on the last business day of the month no later than 11:00 AM.

PROCEDURES

A. Receiving Payments

Using prenumbered receipt books supplied by the Treasurer/Collector, Town and School department staff must issue a receipt for every collection received, even when the payer attempts to refuse it. As is the exception, Treasurer/Collector staff need only issue receipts for cash payments. However, all department staff without exception must identify cash payments as such in their receipt books. All staff must immediately endorse each check "For Deposit Only." Every collecting department shall secure all payments in a locked cashbox or safe until completing a turnover to the Treasurer/Collector.

The School Department deposits lunch program receipts into a Town bank account. These deposits shall take place the same day as receipt. Copies of the bank deposit slips shall be included with the turnover to the Treasurer/Collector.

Each department head is responsible for overseeing the processing, recording, record retention, and turning over of collected receipts to the Treasurer/Collector. To the extent practicable, separate individuals should be tasked with 1) receiving payments, 2) depositing money in the bank (as applicable for the School Department) and 3) turning receipts over to the Treasurer/Collector.

B. Turning Over Revenues

Departmental staff will create a turnover package by filling out a standard Schedule of Departmental Payments (i.e., the turnover form) in triplicate with department head signature. All receipts should correlate to the numbered receipt book and to the turnover form.

When the Treasurer/Collector's office has accepted the turnover, the department employee will receive two copies of the turnover form signed by a Treasurer/Collector staff member. The department employee will retain one turnover copy on file and is responsible for delivering the other to the Town Accountant. The Town Accountant shall refuse to accept any turnover form that does not have the signature of a Treasurer/Collector staff member.

All departments that receive payments should review their monthly revenue reports against their turnover copies to verify that all receipts turned over to the Treasurer/Collector are accurately recorded in the appropriate general ledger accounts and report any discrepancies to the Town Accountant.

C. Receiving Turnovers

When presented with a turnover, Treasurer/Collector staff will count the receipts in the presence of the department turning over. Any inaccuracies on the turnover form will be corrected and initialed by both parties. The Treasurer/Collector staff member will then sign two turnover copies and give these back to the departmental employee. Upon receipt, the Treasurer/Collector will secure the receipts, which will be recorded in the cashbook and deposited at the bank within 24 hours.

To the extent practicable, separate individuals should be tasked with 1) receiving the turnovers, 2) recoding the revenues in the cashbook, and 3) depositing the money in the bank.

The Treasurer/Collector will enter the receipt data in the Munis system and provide the Town Accountant with a weekly report of all turnovers processed (i.e., the Schedule of Receipts report) for review and formal indication of agreement, or changes if any.

D. Reconciliation

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

E. Audit

All cash management activity is subject to review by the Finance Director and the independent auditor.

REFERENCES

[M.G.L. c. 41, §35](#)

[M.G.L. c. 41, §57](#)

[M.G.L. c. 60, §57A](#)

Carlisle Reconciliations Policy

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

EFFECTIVE DATE

This policy was adopted on [].

RECONCILIATIONS

PURPOSE

To ensure transactions are in balance, mitigate fraud, and safeguard general ledger accuracy, 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 the Town's financial records. Failure to reconcile cash, receivables, and withholdings hampers the Town's ability to produce reliable reports, close its books, make timely submissions to the Division of Local Services, and complete audits. In addition, unresolved variances reduce the amount of certified free cash and may result in significant deficiency findings by the independent auditor.

APPLICABILITY

This policy applies to the Finance Director in the role as Treasurer/Collector, Town Accountant, or their designees, and to the heads of other department with accounts receivable responsibilities (e.g., Police, Fire).

POLICY

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

All data entry access to the general ledger (and all its subledgers) shall be restricted solely to Accounting office staff. This segregation is necessary to maintain the general ledger's integrity as the official record of the Town's accounting activity.

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 all cash receipts, disbursements, transfers, and interest are recorded in the cashbook within two business days of each transaction and will reconcile cashbook accounts to their corresponding bank accounts within five days of receiving bank statements. These shall include zero-balance vendor and payroll bank accounts, whose balances must equal the outstanding checks at the end of any month.

Reconciling items, including deposits in transit, bounced and voided checks, and discrepancies between the Treasurer/Collector's cashbook and financial institutions, will be identified and corrected when appropriate. The Treasurer/Collector will then forward a summary of the reconciled cashbook balances and, when needed, an additional Schedule of Receipts for any adjustments made 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, insurances, association dues, and other employer-sponsored options, which are all maintained in separate accounts. The Treasurer/Collector will

ensure that all employee and employer contribution portions of withholdings are recorded and reconciled to the general ledger monthly. To reduce the risk to the Town for liabilities in excess of payroll withholdings, the Treasurer/Collector shall identify and report any discrepancies between the general ledger withholding accounts and applicable vendor/recipient accounts payable. The Treasurer/Collector will then forward the results of these activities to the Town Accountant.

C. Accounts Receivable Reconciliation

Accounts receivable are outstanding monies owed to the Town, whether from committed records (i.e., taxes and excise) or from uncommitted department records (e.g., work details, ambulance charges). To ensure these assets are accounted for and balance, the Treasurer/Collector and the department heads with accounts receivable duties (the “record-keepers”) will make certain that all cash receipts are recorded timely, maintain a control record for each receivable type and levy year, and verify the detail balance agrees with the receivable control.

The receivable control is a record of original entry in which the record-keeper reduces a commitment according to collections, abatements, and exemptions processed and increases it by refunds issued. To maintain accuracy, the record-keeper 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 record-keeper must determine the discrepancy by:

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

The record-keeper will forward a copy of the internally reconciled accounts receivable balances to the Town Accountant.

D. 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 – C 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, they should be in balance with the cashbook. However, errors may happen 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(s):

- 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 mistakes.

- 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 go through each entry to the ledger until they determine the reason for variance.

The Town Accountant will review the payroll withholdings reconciliation report provided by the Treasurer/Collector against the general ledger and make changes to the ledger as needed.

Committed and uncommitted accounts receivable records must also be reconciled to the Town Accountant's general ledger. If a given receivable control sheet 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 each particular record-keeper. Therefore, the above steps must resolve any discrepancies between the receivable control and the ledger. If they do not, the record-keeper and Town Accountant must go through each ledger entry until they determine the reason for variance.

E. Time frames and Documentation

The financial officers shall complete reconciliations of their internal accounting records early each month so that the subsequent reconciliations to the general ledger take place no later than [the 20th] of the month following the one being reconciled.

The financial officers who jointly complete each general ledger reconciliation will sign reconciliation worksheets. In a given month, if any variance has not yet been fully resolved, this must be noted along with a work plan and timetable for resolution. The Town Accountant shall collectively submit the reconciliation worksheets to the Town Administrator by each month's end.

F. Audit

All reconciliation documents are subject to audit by the independent auditor.

REFERENCES

DLS Best Practices, [Reconciling Cash and Receivables](#)

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

EFFECTIVE DATE

This policy was adopted on [].

ANTIFRAUD

PURPOSE

To protect town assets and its reputation from misappropriation and abuse by creating an environment in which employees and citizens can report any suspicion of fraud, communicating the Town's intent to prevent, report, investigate, and disclose to proper authorities suspected fraud, abuse, and similar irregularities, and providing management with guidelines and responsibilities regarding appropriate actions in conducting investigations of alleged fraud and similar improprieties.

APPLICABILITY

This policy pertains to any suspected fraud, abuse, or similar irregularity against the Town. It applies to the Board of Selectmen, School Committee and all other elected town officials; their appointees; all Town of Carlisle employees; and to any other persons acting on behalf of the Town, such as vendors, contractors, consultants, volunteers, temporary, and casual employees, and grant subrecipients.

POLICY

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

A. Definitions

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

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

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

Fraud or other irregularity refers but is not limited to:

- Any dishonest or fraudulent act
- Forgery or alteration of any document or account
- Forgery or alteration of a check, bank draft, or any other financial document
- Misappropriation of funds, securities, supplies, or other assets
- Impropriety in the handling or reporting of money or financial transactions
- Profiteering as a result of insider knowledge of Town activities
- Disclosing confidential or proprietary information to outside parties

- Accepting or seeking anything of material value from consultants, contractors, vendors, or persons providing services or materials to the Town
- Destruction, removal or inappropriate use of records, furniture, fixtures, and equipment
- Any claim for reimbursement of expenses not made for the exclusive benefit of the Town
- Any computer-related activity involving the alteration, destruction, forgery, or manipulation of data for fraudulent purposes
- Any omissions and misrepresentations made in bond offering documents, presentations to rating agencies, and annual financial reports

B. Antifraud Responsibilities

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

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

The Town Administrator has primary responsibility for investigating all activity defined in this policy and will, to the extent practical, notify the Board of Selectmen of reported allegations of fraudulent or irregular conduct upon commencing the investigation. In all circumstances where there are reasonable grounds to indicate a fraud may have occurred, the Town Administrator, subject to the advice of Town Counsel, will contact the District Attorney's office and/or the Carlisle Police Department. Upon concluding the investigation, the Town Administrator will report results to the Board of Selectmen and others as determined necessary.

C. Disclosure

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

PROCEDURES

The Town Administrator will create a set of procedures to cover all of the following at minimum:

1. Procedure and methods for reporting suspicions of fraud, abuse and other irregularities
2. Assignment of responsibilities in response to reported suspicions
3. Employee protections from retaliation
4. Security of investigation documents
5. Treatment of anonymous allegations and false allegations (intentional and unintentional)
6. Personnel disciplinary actions
7. Responsibilities around media contact
8. Training, education and awareness
9. Disclosure requirements and protocols

Upon completing these procedures, they should be referenced or appended to this policy.

REFERENCES

[M.G.L. c. 149 §185](#)

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

EFFECTIVE DATE

This policy was adopted on []

PROCUREMENT CONFLICT OF INTEREST

PURPOSE

To ensure integrity in the procurement and contract process, to educate Town employees, consultants, uncompensated outside parties, and any person involved in decisions to award contracts about potential conflicts of interests, and to establish a process for the screening of conflicts of interests.

APPLICABILITY

The policy pertains to all the Town's procurement and contract processes governed under the provisions of the state's Uniform Procurement Act associated with, but not limited to: specification development, preparation and issuance of solicitations, evaluation of solicitations and submissions, and other evaluations that lead to Town contract awards. The policy applies to the job responsibilities of the Town Administrator serving as the Town Procurement Officer and the School Business Manager as the School Procurement Officer and to the related functions of the Town Counsel and Town Accountant. It further applies to all Town employees, officials, and others working on the Town's behalf who are involved with any procurement and contract process and to the prospective contractors.

POLICY

The Town is committed to ethical business practices, professional integrity, and compliance with all procurement laws and regulations. Carlisle 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 shall investigate all allegations of conflict of interest or misconduct brought to the attention of Town staff.

To comply with the state's [Uniform Procurement Act](#), any purchase for supplies or services ([with certain exceptions](#)) costing more than \$10,000 requires solicitation of three quotes for contracts and those over \$35,000 require competitive sealed bids or proposals for contracts.

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.

Departments must:

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 or School Business Manager.

The Town Administrator / School Business Manager must:

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 in 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 or School Business Manager any potential conflict of interest affecting procurement transactions before a contract is signed, a commitment made, or an order placed. Having satisfied this requirement, the Town Administrator shall notify the Town Accountant, who will verify the availability of funds before any order is placed with a vendor. Similarly, the School Business Manager shall authorize a purchase order after this requirement is met.

The following measures shall be taken to ensure the Town avoids any conflict of interests 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 the Town Counsel.

Departments must:

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 or School Business Manager prior to commencing any procurement or contract activity.

The Town Administrator / School Business Manager must:

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. 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 or contract activity or cancelation of the solicitation.

C. Audit

The Finance Director shall conduct random audits of compliance with this policy. All practices associated with the Town's procurement also are subject to audit by the Town's independent auditor.

REFERENCES

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

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

State Ethics Commission, [Disclosure Forms for Municipal Employees](#)

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

EFFECTIVE DATE

This policy was adopted on []

DISBURSEMENTS

PURPOSE

To ensure that cash is disbursed only upon proper authorization for valid expenditures and payroll and are supported by the appropriate documentation.

APPLICABILITY

This policy applies to the job responsibilities of the Town Accountant and Finance Director in his or her role as Treasurer/Collector and the role of the Selectmen in approving warrants. It further applies to all department heads, officials, and employees who work for the Town and have spending authority.

POLICY

The Town of Carlisle will release disbursements for accounts payable and payroll only after warrants are duly signed and approved by the Selectmen. The Town Accountant shall be responsible for reviewing payroll submissions and accounts payable vouchers for accuracy, supporting documentation, compliance with procurement laws and policies, and proper department approvals before including them on a warrant. There are no authorized petty cash accounts. The Treasurer/Collector shall be responsible for disbursing all authorized payments by check, bank transfer, or direct deposit.

A. Responsibilities

Departments must:

- Verify sufficient funds are available in the appropriate account(s)
- Submit accounts payable vouchers with original receipt(s) and invoice(s)
- Indicate account(s) to be charged
- Include only current fiscal year charges
- Supply supporting documentation that procurement requirements have been met
- Prepare a payroll summary based on employees' signed time sheets, including rate of pay, hours worked, pay type earned (e.g. regular, overtime, detail, etc.), and accrued time used (e.g., vacation, personal or sick)
- Obtain the department head's original signature, stamp signatures are not allowed, on each accounts payable and payroll submission

Please note: elected and appointed boards that serve as the department head authorized to expend town funds must approve vendor and payroll submissions. The committee may delegate this approval authority, by vote, to one of its members, who shall make available to the board, at the first meeting following such action, a record of such actions. Under no circumstances can elected or appointed boards assign this responsibility to the professional or other staff.

Town Accountant:

- Review each submission for completeness and accuracy
- Verify it is a legal purpose, the appropriate account(s) charged, and funds are available
- Confirm proper documentation supplied and authorized signature affixed to each submission
- Return submission lacking proper funding, documentation and authorization to appropriate department, indicating the reason

- Prepare and sign the warrant for the Selectmen’s approval

Board of Selectmen:

- Review each warrant submitted for approval
- May examine payroll, invoices, and backup documentation
- May direct inquiries to the Town Accountant on particular submissions
- Approve warrant by majority of its members
- Cannot assign the warrant approval responsibility to the Town Administrator

Treasurer/Collector:

- Reviews detailed warrant and verifies that no outstanding amounts are due from any listed individuals and/or vendors
- Holds back check(s) written to a payee with a liability to the Town, applies it to the amount due the Town, and issues a net check to the recipient for any remaining balance
- Disburses all authorized payments by check, bank transfer, or direct deposit

B. Petty Cash

No department may have a petty cash account. This is to ensure that procurement laws are followed and issues of incurring expenses in excess of appropriation are avoided.

C. Unpaid Bills of the Prior Year

Departments will submit expenses for the current fiscal year. In the event a department submits a charge for a prior fiscal year, the Town Accountant may not pay it from the current appropriation. A 9/10th special town meeting vote is required before payment is authorized.

D. Emergency Disbursement

As a rule, all disbursements are made through the warrant process. However, in an emergency or extenuating circumstance where payment must be made to a vendor outside of the normal warrant process, the Finance Director may issue a manual check with written authorization of the Town Accountant and the Town Administrator.

E. Audit

All approved warrants are subject to audit by the Town’s independent auditor.

REFERENCES

[M.G.L. c. 41, §§41, 41A, 41B, 41C, 42, 43, 52, 56](#) [M.G.L. c 44, §§56, 58, 64](#) [M.G.L. 30B](#)

Town of Carlisle Bylaw: Section 3.3.1, Treasurer Duties

Town Personnel Bylaw

Collective Bargaining Agreements

EFFECTIVE DATE

This policy was adopted on [].

APPENDIX I: POLICY ADOPTION/REVISION LOG

As a part of the annual budget process, financial officers and other department personnel cited in the Applicability section for each policy will review verify that it is current. If it determined that a policy needs to be updated, the Town Administrator will draft proposed edits in consultation with Town Counsel and other responsible parties. The revised policy will be submitted to Town policymakers for adoption. An official record of annual reviews and revision date(s) will be logged below.

Policy	Date of Adoption	Last reviewed	Date of Amendment(s)
Forecasting	XX/XX/XXXX	XX/XX/XXXX	XX/XX/XXXX
Financial Reserves			
Overlay			
Debt Management			
Investments			
Other Postemployment Benefits Liability			
Tax Enforcement			
Revenue Turnover			
Reconciliations			
Antifraud			
Procurement Conflict of Interest			
Disbursements			

**APPENDIX II: MA COLLECTORS AND TREASURERS ASSOCIATION
ANNUAL SCHOOL HANDOUTS, COURSE 202**

**MASSACHUSETTS COLLECTORS
& TREASURERS ASSOCIATION**

46th Annual School – August 16, 2016

INVESTMENT POLICY STATEMENTS

TOWN OF _____
INVESTMENT POLICY STATEMENT

The primary purpose of this Investment Policy Statement (IPS) is to provide a clear understanding between the Town/City of _____ (Client) and _____ (Investment Manager/Advisor) regarding the objectives, goals, risk tolerance, and investment guidelines established for the investment of town/city funds. The secondary purpose is to describe for the Office of Treasurer & Collector of Taxes, the public and staff the underlying logic and philosophy supporting this Statement.

I. The Investment of General Funds, Special Revenue Funds, Enterprise Funds, and Capital Projects Funds

A. Scope

This section of the IPS applies only to short term operating funds such as general funds, special revenue funds, enterprise funds, bond proceeds and capital project funds. Section two will deal with trust funds, and any other funds with special circumstances such as stabilization funds. A separate Contributory Retirement Board, either local or county, is responsible for the investment of the pension funds.

B. Investment Instruments

Note: Public investments in Massachusetts are not protected through provisions in State law. Therefore, they are largely uncollateralized. Many banking institutions are willing to put up collateral, albeit at a cost to the entity resulting in a lower interest rate. The Treasurer negotiates for the highest rates possible, consistent with safely principles.

The Treasurer may invest in the following instruments:

- Massachusetts State pooled fund: Unlimited amounts (Pool is liquid) The Massachusetts Municipal Depository Trust (MMDT), an investment pool for state, local, county and other independent governmental authorities, is under the auspices of the State Treasurer. It invests in Bankers Acceptances, Commercial Paper of high quality, Bank Certificates of Deposit, Repurchase agreements (Repos), and U. S. Treasury Obligations. It has Federal Deposit Insurance Corporation (F.D.I.C.) pass-through insurance on the CD's up to the standard limits and takes delivery on the Repos and Treasuries. Under Government Accounting Standards Board Regulation (GASB m), it is not considered an uncollateralized product.
- U. S. Treasuries that will be held to maturity: Unlimited amounts (Up to one year maturity from date of purchase)
- U.S. Agency obligations that will be held to maturity. Unlimited amounts (Up to one year maturity from date of purchase)
- Bank accounts or Certificates of Deposit ("CDs") (Up to one year) which are fully collateralized through a third party agreement: Unlimited Amounts
- Bank accounts and CDs (Up to one year) insured by F.D.I.C. up to the coverage limit. All bank accounts and CDs in one institution are considered in the aggregate for the insurance coverage limit. In some cases Banking Institutions carry additional insurance. Depository Insurance Fund (D.I.F.): Contact banking representative for amounts of coverage.

- Unsecured bank deposits of any kind such as other checking, savings, money market, or Certificates of Deposit accounts at Banks that do not fit the above categories. These investments are subject to the following limitations: No more than 5% of an institution's assets and no more than 25% of a municipality's cash may be comprised of unsecured bank deposits. This percentage may be increased for not more than 30 days during times of heavy collection or in anticipation of large payments that will be made by the Town in the near future. These payments may be for such items as debt service payment or regional school assessments. Their credit worthiness will be tracked by Veribanc, or other bank credit worthiness reporting systems. They will be diversified as much as possible. CDs will be purchased for no more than one year and will be reviewed frequently.
- Money Market Mutual Funds that are registered with the Securities and Exchange Commission that have received the highest possible rating from at least one nationally recognized statistical rating organization and as otherwise referenced in the Massachusetts General Law Chapter 44 Section 55.

C. Diversification

Diversification should be interpreted in two ways: in terms of maturity as well as instrument type and issuer. The diversification concept should include prohibition against over concentration of maturities, as well as concentration in a specific institution. With the exception of U.S. Treasury obligations or investments fully collateralized by U.S. Treasuries or agencies, and State pools (MMDT), no more than 10% of the Community's investments shall be invested in a single financial institution.

D. Authorization

The Treasurer has authority to invest entity funds, subject to the statutes of the Commonwealth Massachusetts General Law Chapter 44 Section 55, 55A, & 55B.

E. Restrictions

Chapter 44, Section 55 set forth several restrictions that the Treasurer must be aware of when making investment selections.

- A Treasurer shall not at any one time have on deposit in a bank or trust company an amount exceeding 60% of the capital and surplus of such bank or trust company, or banking company, unless satisfactory security is given to it by such bank or trust company, or banking company for such excess.
- The treasurer shall not make a deposit in any bank, trust company or banking company with which he is, or for any time during the three years immediately preceding the date of any such deposit was, associated as an officer or employee.
- All securities shall have a maturity from date of purchase of one year or less.
- Purchases under an agreement with a trust company, national bank or Banking Company to repurchase at not less than original purchase price of said securities on a fixed date shall not exceed ninety days.

F. Legal References

Massachusetts General Law Chapter 44, Section 55
Massachusetts General Law Chapter 44, Section 55A
Massachusetts General Law Chapter 44; Section 55B

II. The Investment of Long Term Funds

A. Scope

This section of the IPS applies only to funds that are designated as long term, i.e. trust funds, stabilization funds, cemetery perpetual care, community preservation act and other funds the town may have set aside for long term use.

All accounts will be maintained separately receiving their proportionate interest and any realized and unrealized gains or losses. The account will be established as a pooled investment portfolio unless otherwise stated. Any additional accounts will be maintained in this same manner.

B. Authority

Massachusetts General Law Chapter 44, section 54 pertains to the investment of Trust Funds. All trust funds shall fall under the control of the entity's Treasurer unless otherwise provided or directed by the donor.

C. Investment Instruments

M.G.L. Chapter 44 section 54 states that money should be deposited into savings bank, trust companies incorporated under the laws of the Commonwealth, banking companies incorporated under the laws of the Commonwealth which are members of the Federal Deposit Insurance Corporation, or national banks, or invested in participation units in a combined investment fund under section thirty-eight A of chapter twenty-nine, or in a paid-up shares and accounts of and in co-operative banks, or in shares of savings and loan associations or in share or savings deposits of federal savings and loan associations doing business in the commonwealth.

Additionally the Community may invest such funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the commonwealth; provided, that not more than fifteen percent (15%) of any such trust funds shall be invested in bank stocks and insurance company stocks, nor shall more than one and one-half percent (1 ½%) of such funds be invested in the stock of any one bank or insurance company.

The Treasurer may invest in the following instruments:

- U. S. Treasuries that maybe sold prior to maturity: Unlimited amounts (With no limit to the length of maturity from date of purchase)
- U.S. Agency obligations that maybe sold prior to maturity. Unlimited amounts (With no limit to the length of maturity from date of purchase)

- Bank accounts or Certificates of Deposit ("CDs") Unlimited amounts (With no limit to the length of maturity from date of purchase), which is fully collateralized through a third party agreement:
- Bank accounts and CDs (With no limit to the length of maturity from date of purchase) fully insured by F.D.I.C. and in some cases also Depository Insurance Fund of Massachusetts (D.I.F.): All bank accounts and CDs in one institution are considered in the aggregate to receive the insurance coverage limit.
- Unsecured bank deposits of any kind such as other checking, savings, money market, or Certificates of Deposit accounts at Banks that do not fit the above categories. These investments are subject to the following limitations: These investments will be limited to no more than 5% of an institution's assets and no more than 25% of a municipality's cash. This percentage may increase for not more than 30 days during times of heavy collection or in anticipation of large payments that will be made by the Community in the near future. These payments may be for such items as debt service payment or regional school assessments. Their creditworthiness will be tracked by Veribanc, or other bank credit worthiness reporting systems. They will be diversified as much as possible. CDs will be purchased with no limit to the length of maturity from the date of purchase and will be reviewed frequently.
- Common and preferred stock that are listed in the List of Legal Investments.
- Investment Funds that are listed in the List of Legal Investments.
- All other items not separately identified here that are listed in the List of Legal Investments.

D. Standards of Care

The standard of prudence to be used by the Treasurer shall be the "Prudent Person" standard and shall be applied in the context of managing an overall portfolio. The Treasurer acting in accordance with written procedures and this IPS, and exercising reasonable due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided the purchases and sale of securities is carried out in accordance with the terms of this IPS.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs; not for speculation, but for investment considering the probable safety of their capital as well as the probable income to be derived.

In addition this section would also apply to M.G.L. Chapter 44 Section 55A which refers to the liability of the Treasurer for losses due to bankruptcy.

E. Diversification

Diversification should be interpreted in two ways: in terms of maturity as well as instrument type and issuer. The diversification concept should include prohibition against overconcentration of maturities, as well as concentration in a specific institution, with the exception of U.S. Treasury obligations or investments fully collateralized by U.S. Treasuries or agencies.

F. Legal References

Massachusetts General Law Chapter 44, Section 54
Massachusetts General Law Chapter 44, Section 55A
Massachusetts General Law Chapter 44, Section 55B

Trust Funds may be co-mingled and invested in any instruments allowed by the Commonwealth of Massachusetts list of Legal Investments Legal issued by the Banking Commissioner each July. Each trust fund must be accounted for separately. Chapter 44 Section 54 sets forth that Treasurers may invest in instruments that are legal for savings banks. This list of investments is included in the Commonwealth of Massachusetts List of Legal Investments, Chapter 167 Section 15A.

III. General Provisions

A. Objective

Massachusetts General Laws, Chapter 44, section 55B requires the Entity's Treasurer to invest all public funds except those required to be kept uninvested for purposes of immediate distribution.

This section also requires that invested funds are to be placed at the highest possible rate of interest reasonably available, taking into account the acceptable levels of safety, liquidity and yield. Therefore, these guidelines are intended to further the objective of securing the highest reasonable return available that is consistent with safety of principal while meeting the daily cash requirements for the operation of the entity's business.

- Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to preserve capital through the mitigation of credit risk and interest rate risk. These risks shall be mitigated by the diversification and prudent selection of investment instruments, and choice of depository. Credit risk is the risk of loss due to the failure of the security issuer or backer. Interest rate risk is the risk that the market value of the security will fall due to changes in general interest rates.
- Liquidity is the next most important objective. The overall investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Since all possible cash demands cannot be anticipated, the treasurer shall attempt to carry out investment activities in a manner that provides for meeting unusual or unexpected cash demands without requiring the liquidation of investments that could result in forfeiture of accrued interest earnings, and loss of principal in some cases.
- Yield is the third, and last, objective. Investments shall be undertaken so as to achieve a fair market average rate of return^ taking into account safety and liquidity constraints as well as all legal requirements.

B. Risk Tolerance

- Credit Risk

"Credit risk" is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The Community will manage credit risk several ways. There will be no limit to the amount of United States Treasury and United States Government Agency obligations. In regards to other investments, the Community will only purchase investment grade securities with a high concentration in securities rated A or better. The Community may invest in the Massachusetts Municipal Depository Trust (MMDT) with no limit to the amount of funds placed in the fund. The Community may place funds in banking institutions as stated in Section C of this IPS.

- Custodial Risk

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

The Community will review the financial institution's financial statements and the background of the Advisor. The intent of this qualification is to limit the Community's exposure to only those institutions with a proven financial strength. Capital adequacy of the firm, and overall affirmative reputation in the municipal industry. Further, all securities not held directly by the Community, will be held in the Community's name and tax identification number by a third-party custodian approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security.

- Concentration of Credit Risk

"Concentration of credit risk" is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

The Community will minimize concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

- Interest Rate Risk

"Interest rate risk" is the risk that changes in interest rates will adversely affect the fair value of an investment.

The Community will manage interest rate risk by managing duration in the account.

- Foreign Currency Risk

"Foreign currency risk" is the risk that changes in foreign monetary exchange rates will adversely affect the fair value of an investment or a deposit.

The Community will limit investment in any instrument exposed to foreign currency risk.

C. Ethics

The Treasurer (and Assistant Treasurer) shall refrain from any personal activity that may conflict with the proper execution of the investment program or which could impair or appear to impair ability to make impartial investment decisions. Said individuals shall disclose to the Chief Executive Officer any material financial interest in financial institutions that do business with the Community. They shall also disclose any large personal financial investment positions or loans that could be related to the performance of the Community's investments.

D. Relationship with Financial Institutions

Financial institutions should be selected first and foremost with regard to their financial soundness and stability. The Community subscribes to the Veribanc Rating Service to evaluate the banking institutions with

which it chooses to establish relationships. Brokers should be recognized, reputable dealers and members of the Financial Industry Regulatory Authority (FINRA).

In instances where the Community does not purchase the Veribanc Rating Service, the Treasurer should request the banking institution's Veribanc rating from all of the banking institutions that are working with the Community on a quarterly basis.

When using the Veribanc Rating Service the Treasurer may invest in such banks that show a green rating in a particular quarter. If a rating is yellow the Treasurer should contact the appropriate banking institution and request in writing an explanation of the change in rating and the expected timetable for it to be changed to green. If for a second quarter such rating is not green, the Treasurer should consider removing all funds that are not collateralized, or carries some form of depositors insurance. If a rating moves to red all money should be immediately collateralized or covered by some form of depositors insurance or be removed from the banking institution.

The Treasurer shall require any brokerage houses and broker/dealers wishing to do business with the municipality to supply the following information to the Treasurer on an annual basis:

- Financial statements
- If acting as a Registered Investment Advisor, copy of their most recent Form ADV
- A statement that the Advisor has read the municipality's IPS and will comply with it on an annual basis

E. Reporting Requirements

On a quarterly basis, a report containing the following information will be prepared by the Treasurer and distributed to the Chief Executive Officer, Town Manager, and/or Finance Committee, as appropriate. The quarterly report will include the following information, as a minimum requirement:

- A listing of the individual accounts and individual securities held at the end of the reporting period.
- A listing of the short-term investment portfolio by security type and maturity to ensure compliance with the diversification and maturity guidelines established in the "Diversification" section of this IPS.
- A summary of the income earned on a monthly basis and year-to-date basis shall be reported.
- The report should demonstrate the degree of compliance with the tenets set forth in the IPS.