

# TOWN OF CHARLTON

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FINANCIAL POLICIES | A COMMUNITY COMPACT CABINET INITIATIVE

FEBRUARY 2017



# DLS

DIVISION OF LOCAL SERVICES  
MA DEPARTMENT OF REVENUE

**PREPARED BY:**

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Michael J. Heffernan  
Commissioner of Revenue

Sean R. Cronin  
Senior Deputy Commissioner

February 1, 2017

Robin Craver  
Town Administrator  
Town Hall  
37 Main St  
Charlton, MA 02356

Dear Ms. Craver,

I am pleased to present the enclosed financial policies and management recommendations for the Town of Charlton as part of the Baker-Polito Administration's Community Compact Cabinet initiative. This collaborative program 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 Charlton's fiscal decisions, as together we seek to build better government for our citizens.

If you have any questions regarding the report, please contact Zack Blake, Chief of the Division's Technical Assistance Bureau, at (617) 626-2358 or at [blakez@dor.state.ma.us](mailto:blakez@dor.state.ma.us).

Sincerely,

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

Sean R. Cronin  
Senior Deputy Commissioner

*Supporting a Commonwealth of Communities*

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## INTRODUCTION

At the request of the board of selectmen, the Division of Local Services (DLS) Technical Assistance Bureau (TAB) created a set of financial policies for the Town of Charlton. This project was sponsored through the [Community Compact Cabinet](#), whose goal is to encourage the implementation of municipal best practices that promote good governance by fostering efficiency, accountability, and transparency in local government. As a best practice, adoption of formal financial policies provides instructive guidance and promotes consistency as local officials plan, direct, monitor, and protect municipal assets and resources.

In addition to this policy project, the town administrator requested that TAB assess the town's current financial operations. Specifically, the town administrator identified several issues, including the delay in setting the FY2017 tax rate, the lack of up-to-date reconciliations, and the inability to submit a balance sheet to DLS. In the days preceding our interview, it became evident that DLS was unable to approve the documents as submitted, and therefore much of our discussion centered on developing corrective strategies for issuing timely FY2017 tax bills. Although local officials also raised concerns regarding sewer billing and collection issues, Charlton has since engaged a consultant to analyze and address deficiencies in water and sewer operations, so we withhold comment here and defer to his analysis.

In 2003, TAB completed a comprehensive financial management review for Charlton that resulted in 18 recommendations<sup>1</sup> for improving town practices and procedures. The town successfully implemented some of those proposals, and therefore, our current objective was to note the finance-office-related recommendations that have not been implemented and provide supporting strategies to promote adoption.

Our report begins with a brief overview of Charlton, followed by observations from our recent site visit, recommendations to strengthen core business practices, and a comprehensive set of financial policies. We encourage the board of selectmen and others, when formulating overall strategies for improving Charlton's financial management, to consider the observations, recommendations, and financial policies contained within this report. These are recommendations only, which can be implemented, provided there is sufficient cooperation and political will among the various town boards, committees and officials.

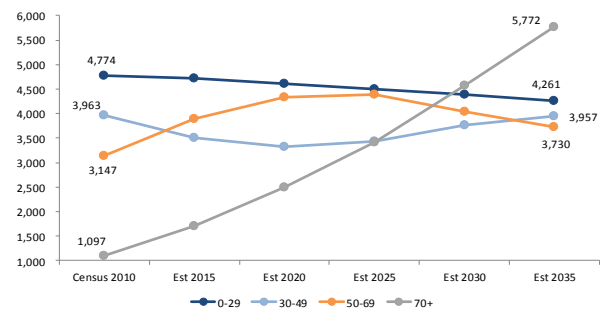
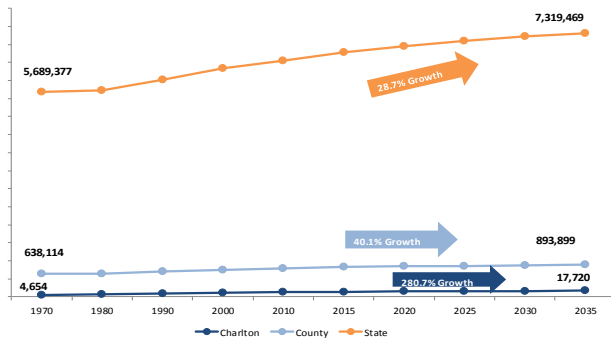
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<sup>1</sup> See chart on page 15 illustrating 2003 Financial Management Review recommendations

## COMMUNITY PROFILE

Located in central Massachusetts, Charlton (pop. 13,175) offers the benefits of small town living within a convenient distance to four major cities: Springfield, Worcester, Boston, and Hartford. Offering easy access to major highway routes I-90, I-84, I-290 and I-395, the town has experienced a dramatic socioeconomic transition over the past 20 years, converting from a wholly rural farming community to a growing bedroom community.

While Worcester County has been experiencing a leveling off in population growth, Charlton continues to attract residents, with trends predicting a strong uptick in the over-70 demographic. In line with population projections, Charlton is home to The Overlook, an expansive assisted living facility located on 450 acres and offering independent senior living to over 470 residents.



**FIGURE 1 PROJECTED POPULATION (SCALED FOR PRESENTATION)** **FIGURE 2 PROJECTED POPULATION BY AGE GROUP**  
Source: UMass Donahue Institute, Population Estimates Program (PEP)

The town has experienced both residential and commercial growth along the Route 20 corridor, upgraded and expanded its water systems into that area, and benefitted from the construction of several solar energy developments. In 2015, the town received a credit rating upgrade from AA to AA+ by Standard & Poor's whose analysts cited a strong economic outlook, favorable budgetary performance, and strong management with conservative fiscal management practices.

Operating with an annual budget slightly under \$29M and approximately 85 full-time equivalent employees, the town offers a range of municipal services, including police, fire, highway, senior and social services, and limited water and sewer services. The town is a member of the Dudley-Charlton Regional School District which delivers pre-k through 12th grade education to nearly 4,000 students. Charlton is home to Bay Path Regional Vocational Technical High School, which offers 22 diverse career areas for ten member communities in Worcester County. Despite an uptick in recent vocational enrollment, overall student enrollment across the district continues to decline.



As a measure of relative wealth, the town's per capita income and average single-family home value are slightly below Worcester County averages. The town's average single-family tax bill is 22 percent below the county average and 35 percent below the statewide average. At \$3,609 in FY2017, Charlton's average single-family tax bill as a percentage of per capita income ranked in the lowest 7 percent of the county and lowest 11 percent in the state.

	2013 Per Capita Income	Equalized Valuation per Capita [2014]	Average Single-Family Tax Bill [2017]	Average Single-Family Home Value [2017]	Taxes as a % of per capita income
Charlton	\$32,705	\$107,268	\$3,609	\$255,965	11.04%
County	\$33,531	\$94,263	\$4,679	\$269,467	13.95%
State	\$38,993	\$146,006	\$5,621	\$399,413	14.42%

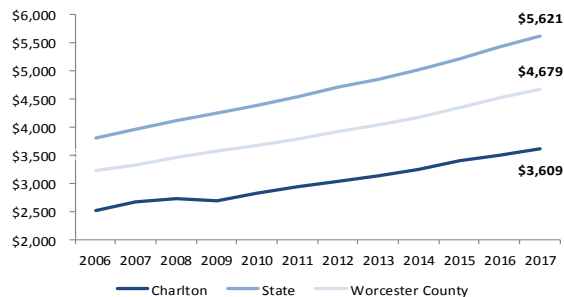
  

Rank Within:	Hi to Lo	Hi to Lo	Hi to Lo	Hi to Lo	Hi to Lo
Worcester County	25 of 60	25 of 60	42 of 60	28 of 60	54 of 60
State	165 of 351	245 of 351	260 of 333	229 of 333	295 of 351

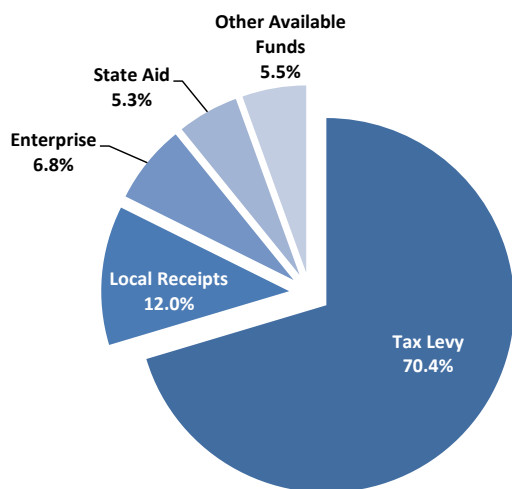
Ranks in the top %:					
Worcester County	42%	42%	70%	47%	90%
State	47%	70%	78%	69%	84%

**FIGURE 3 ANALYTICS**  
Source: DLS Databank

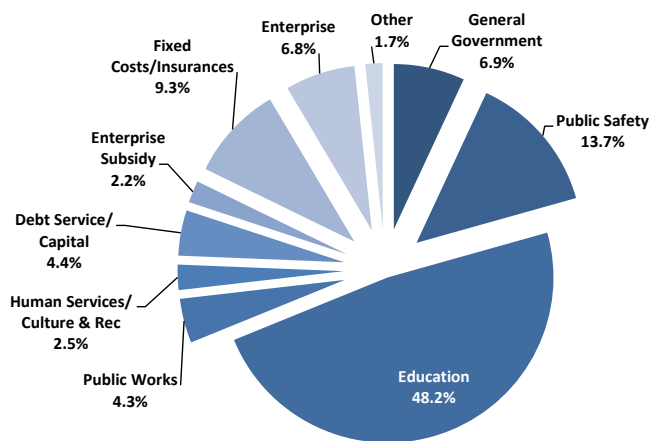


**FIGURE 4 AVERAGE SINGLE-FAMILY TAX BILL**  
Source: DLS Databank

Charlton's funding comes from six sources, the majority being property taxes (70.4 percent) followed by local receipts (12 percent). Enterprise operations, state aid and other available funds, such as stabilization, make up the remaining 17.6 percent, each constituting between 5.3 and 6.8 percent. Nearly 75 percent of local receipts are from motor vehicle excise and Millennium Power's payment in lieu of taxes (PILOT) agreement. As for expenditures, the town spends 48.2 percent of its total budget on education, 13.7 percent on public safety, 9.3 percent on fixed costs, 6.9 percent on general government, 4.3 percent on public works, and 3.1 percent on debt service. Remaining amounts are spent on human services, recreation, and other operations.



**FIGURE 5 FY2017 ALL FUNDING SOURCES (BUDGETED)**  
Source: DLS Tax Recapitulation Sheet



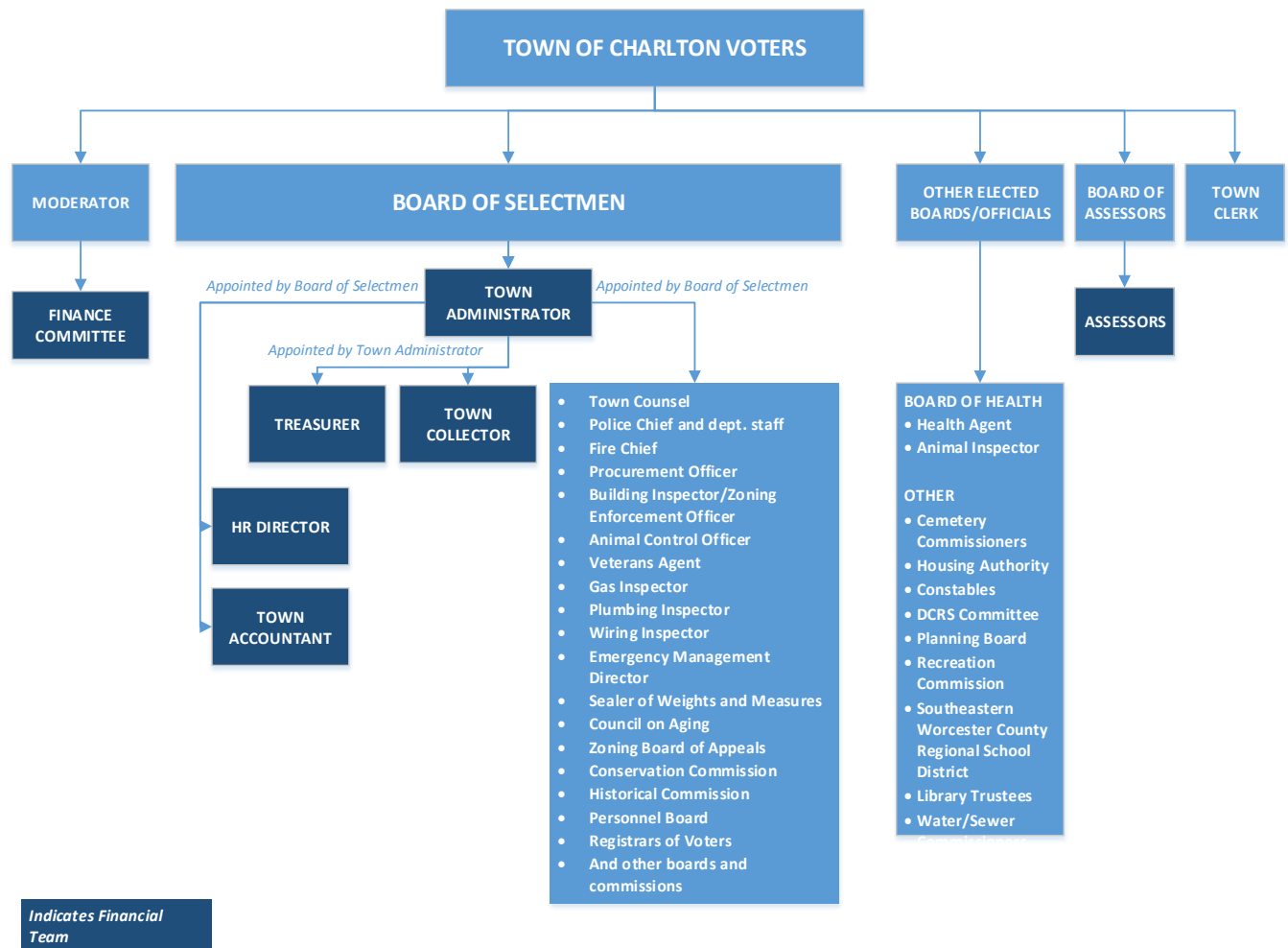
**FIGURE 6 FY2017 ALL EXPENDITURES (BUDGETED)**  
Source: FY2017 Town Meeting authorizations

While the town has seen a recent uptick in new growth, it has been operating with very limited excess levy capacity. In 2012, the board of selectmen adopted a fund balance policy, at which point the town maintained moderately healthy reserve balances between 7 and 12 percent of operating revenues. However, for more than five years, the town has annually appropriated stabilization funds to balance the budget, thereby slowly decreasing this reserve. We generally discourage the use of reserves to balance the annual operating budget, as reserves should only be used for nonrecurring expenditures.

By adopting formal policies that promote fiscal stability and reinforce internal controls, local officials can strengthen Charlton's overall financial management operations. These policies are a key component, along with a capital plan, long-range forecast, and transparent and user-friendly budget document, in ensuring public faith in municipal management.

## FINANCIAL MANAGEMENT OBSERVATIONS

Charlton's legislative power is vested in an open town meeting, while executive authority falls to the elected, five-member board of selectmen. In the absence of a charter, local bylaws and state statutes govern day-to-day operations. The selectmen are responsible for setting town goals, establishing policy, appointing local officials and managing the affairs of the town. With a limited number of elected officials, Charlton's vertical structure concentrates a high degree of authority under the board of selectmen. To oversee daily affairs, the select board appoints a full-time town administrator. The town administrator appoints the treasurer and town collector, and supervises all other selectmen appointees. The town administrator is also delegated to serve in the following additional capacities: budget coordinator, personnel director, chief procurement officer, community liaison, public relations director, and general manager of municipal affairs.



**FIGURE 7 ORGANIZATIONAL REPORTING STRUCTURE**  
 Source: Town bylaws, job postings

The town's appointed, seven-member finance committee considers all matters relating to the appropriation and expenditure of money by the town, makes reports and recommendations, and submits a budget at each annual town meeting.

Over the past 18 months, the town experienced significant turnover in its core financial offices with the retirements of the town accountant and town collector. These departures left gaps in institutional knowledge and familiarity with town operations, and resulted in reduced efficacy of the town's finance offices. Most notably, the town faced considerable difficulties in completing the recent tax rate setting process. Inaccurate and incomplete schedules submitted to DLS, a lack of collaboration among officials, and erroneous understanding and accounting treatment of betterments contributed to the delay. After working closely with DLS, and through careful and deliberate monitoring, the tax rate was finally certified on December 16, 2016.

Absent from the current structure is a consistent leadership presence in the treasury and collection functions. The town administrator recently appointed the assistant collector as interim town collector, following the retirement of her predecessor. Part-time staff hours and extended absences have strained coverage within the treasurer's office. Although the treasurer, who retired but returned in a part-time capacity, provides business continuity, his limited hours leave little time to complete required tasks timely and often require the office to be closed to the public.

In May 2015, Charlton formed a government study committee to recommend improvements to the town's organizational structure. Based in part on their recommendations, the town established, and is actively recruiting for, a full-time treasurer/collector and a full-time human resources director. Both of these positions, when filled with skilled professionals, will streamline operations, distribute job duties more effectively, and help shape a strong financial management team.

## **Recommendations**

The following recommendations are designed to encourage checks and balances, accountability, and increased efficiency in the town's processes. Chief among these is the need to perform basic activities, such as reconciling cash and receivables at the close of each month, and to establish a financial team that ensures ongoing communication and coordination throughout the year.

Until this year, the town had been operating successfully, as evidenced by the timely completion of independent annual audits, compliance with previous DLS tax rate setting deadlines, and its bond rating increase. Implementing our recommendations, appointing a full-time treasurer/collector,

adopting sound fiscal policies, and adhering to a well-defined municipal calendar will improve the efficiency and effectiveness of the finance offices, and help prevent these problems.

### **Institute Municipal Calendar and Comply with DLS Filing Deadlines**

The accountant's office oversees all financial activity of the municipality. The office submits reports to DLS and prepares schedules for the external audit firm. Among required submissions to DLS, the town accountant, working closely with the director of assessing and town clerk, maintains overall responsibility for ensuring the accuracy and completeness of the tax recapitulation schedules, including confirming town meeting votes and all corresponding funding sources. Separate from the tax rate setting process, the accountant is responsible for producing the town's year-end balance sheet as soon as the books are closed and its annual Schedule A by November 30<sup>th</sup>. If the town fails to submit Schedule A by the required due date, the town may potentially forfeit state aid distributions. When the balance sheet is delayed, so is the town's certification of free cash by DLS, and the outside auditor is precluded from beginning the annual audit of the town's books. Without a current audit for review by credit rating agencies and other financial institutions, the town's ability to borrow is hampered.

Under the current bylaws, the town accountant is appointed by the board of selectmen and supervised by the town administrator. Given the recent challenges that resulted in the delayed FY2017 tax rate setting, we recommend that the town administrator, as a consistent local presence, develop and enforce a municipal calendar to confirm that compliance requirements are being met as scheduled and that all finance officials are held accountable.

DLS publishes a calendar of deadlines based upon statutory requirements, and the town has other key deadlines that must be accomplished annually. Starting from an extract of the DLS Municipal Calendar, we recommend that the town administrator develop, publish, and implement a formal calendar of due dates and deliverables.

For supporting strategies, we have provided policies in the attached financial policy manual:

- *Financial Operations: Tax Recapitulation Process*
- *Appendix II: Municipal Calendar*

### **Form a Financial Management Team**

A well-organized financial management operation reinforces policymaking efforts, strengthens internal controls, enhances service delivery, and streamlines reporting relationships through a cohesive team with defined roles and responsibilities.

During the annual budget cycle, the town administrator organizes the collector, treasurer, director of assessing, and town accountant to participate in ad hoc budgetary planning sessions. There is no specific meeting schedule, responsibilities are not formally documented, and there are no policies regarding the purpose and charge of the group other than informal budgetary planning purposes.

Financial team meetings are an important communication tool that serve as a forum to coordinate financial functions, discuss progress on finance-related deadlines, assign responsibilities, and monitor progress. For Charlton, these meetings can provide an occasion to set a calendar for the budget process and to schedule the preparation of the tax recapitulation sheet. The team would collaborate on upcoming compliance matters, offer early strategies to deal with anticipated areas of concern, and facilitate the collection of data that serves as the basis for decisions by the town's policymaking bodies.

In 2003, TAB recommended the formation of a financial management team chaired by the town administrator and including the treasurer, town collector, town accountant, director of assessing, and chairs of the select board and finance committee. Since most of these meetings will occur during regular business hours, the chairs of the select board and finance committee should attend as available and be kept apprised of issues discussed in their absence. The town administrator should establish a regular meeting schedule, and the board of selectmen should sponsor a financial team bylaw to promote strong cohesion and serve as a more effective tool for addressing local fiscal policy and other finance-related matters.

In order to more effectively lead the financial team, we recommend that the town administrator capitalize on available industry resources, such as the trainings offered by DLS and the [Massachusetts Collectors and Treasurers Association](#), including tax rate setting, Schedule A submission, and collector and treasurer duties and responsibilities.

### **Complete Timely Reconciliations**

On a monthly basis, the town should complete reconciliations of cash, payroll withholdings, and accounts receivable via the offices of the treasurer, town collector, and town accountant. As noted in 2003 and reaffirmed in our interviews, there exists significant time delays between the treasurer remitting receipt reports and reconciling cash with the accountant. These delays continue to cause incomplete data to be issued on the accountant's monthly revenue statements and hold up timely reconciliation of cash. Although not legally required, monthly revenue reports can be useful management tools for policymakers. They provide essential information to monitor the financial performance of the town, to analyze the underlying causes of any shortfalls, excesses and one-time receipts, and to make necessary midcourse budget adjustments. We recommend that a procedure be

enforced requiring the treasurer to timely submit this data to the town accountant and requiring both parties to complete reconciliations by the 20<sup>th</sup> of the month following.

To help support accurate and timely recordkeeping, we have included a *Financial Operations: Reconciliation* policy in the attached manual.

#### **Close Town Clerk Bank Account**

Article IV § 50-4 of the Charlton bylaws requires that all town officers turn over monies received to the town treasury. In violation of town bylaws and against recommended best practices, the town clerk maintains a separate bank account, outside of the control of the treasurer, for departmental deposits. There is no compelling reason why this practice has continued. As the custodian of all town funds, the treasurer should direct the closing of this account and the subsequent turnover of those monies to the town's general depository account.

To support this recommendation, we have included a *Financial Operations: Revenue Turnover* policy in the attached manual.

#### **Adopt Budget Bylaw**

The town's bylaws only make a general reference to the town administrator's role in the annual budget process. But, practically speaking, the town administrator prepares the initial revenue projections, submits worksheets to departments, prepares the initial draft budget, and works with departments, selectmen, superintendent, and finance committee to prepare a final budget. Absent from the process is the collaborative, ongoing dialog needed to develop, refine and communicate revenue projections and prepare multiyear forecasts. We recommend the board of selectmen sponsor a bylaw that incorporates the following:

- The town accountant prepares reliable revenue projections for the annual operating budget.
- The town accountant analyzes and refines revenue projections monthly during the budget cycle to include overlay surplus, certification of free cash, PILOT payments, and other changes in revenue.
- The town administrator develops and actively maintains a five-year revenue and expenditure forecast.
- The town administrator monitors budget to actual revenue and expenditure activity monthly.
- The board of selectmen adopts and incorporates fiscal policies, such as the use of debt and reserves, into the annual budget process.

For supporting strategies, we have provided policies in the attached manual:

- *Financial Planning: Forecasting*
- *Financial Planning: Debt Management*
- *Appendix II: Municipal Calendar*

### **Establish Capital Planning Bylaw**

The town administrator develops and maintains a five-year capital plan and presents each upcoming year's capital outlay recommendations to the board of selectmen, finance committee, and town meeting. There is no capital planning committee, and despite the town administrator's five-year plan, policymakers focus attention almost exclusively on the next year's capital outlay. Little attention is placed on future years, and debt is seldom applied as a financing strategy. We recommend the town administrator prepare and publish a five-year capital plan coupled with future funding strategies to project the longer-term needs of the town. We further recommend that the town administrator, or a designee, compile an inventory of all town-owned buildings, equipment, and vehicles with their repair and replacement schedules. As the town grows, infrastructure demands become more complex and vigorous asset management is required. In the future, the town might consider codifying a capital planning process in bylaws with specific policies and responsibilities.

For supporting strategies, we have provided policies in the attached manual:

- *Financial Planning: Capital Planning*
- *Financial Planning: Debt Management*
- *Appendix II: Municipal Calendar*

### **Streamline Payroll and Convert to Biweekly System**

Presently, the town accountant receives original departmental time sheets, enters all gross wages per account number into the VADAR system, compiles a summary worksheet with totals, and remits a packet to the treasurer's office. The treasurer then, using the same departmental time sheets, reenters the data into the Harpers Payroll system to generate paychecks for employees. All wages are input each week rather than using exception-based entry, whereby only deviations from predefined schedules would be recorded. This duplicative entry is not only inefficient but greatly increases the opportunity for errors. To streamline payroll, we recommend that data entry begin in the treasurer's office. The town should explore, in conjunction with Harpers Payroll Services and VADAR, generating an automated payroll journal to be electronically submitted from the treasurer, to the town accountant's office. Upon review and reconciliation of the supporting payroll packet, the town accountant would then update the general and subsidiary ledgers automatically.



We recommend converting to a biweekly payroll system. An increasing number of employers in both the public and private sectors compensate employees biweekly. Subject to negotiations with collective bargaining unions, the adoption of biweekly payroll would reduce the workload in the treasurer's and accountant's offices, freeing time for the completion of other important tasks.

### **Enhance Town Meeting Practices**

The town administrator develops and produces the majority of the town meeting warrant. While centralizing control over this data is important, we recommend implementing a broader review for accuracy and completeness, including examination of legalities and language requirements by town counsel and editorial review of amounts, accounts, and funding sources by the town accountant.

We further recommend that the town administrator ensure all annual and special town meeting warrants:

- Clearly identify funding sources and amounts in each motion
- Present balanced revenue and expenditure budgets for enterprise funds
- Include a comprehensive funding chart summarizing all financial articles

Immediately following town meeting, the town accountant and town clerk should reconcile all votes and amounts. The town accountant should ensure that town meeting authorizations clearly reconcile to the amounts reported in the tax recapitulation schedules.

In many communities, annual town meeting includes a presentation by the finance committee, finance director, or chief administrative officer on the "state of the town finances" prior to presenting the annual operating budget for adoption. Charlton has traditionally not included such a presentation in its proceedings but rather assumes that residents will research warrant articles and closely monitor activities and information disclosed leading up to town meeting. This places an onerous responsibility on residents to perform extensive due diligence in advance of the annual town meeting to make informed decisions. To foster transparency and trust in government and to facilitate sound decision making by town meeting voters, we recommend the town administrator or finance committee present a five- to seven-minute overview of town finances and important changes from the prior year.

### **Pursue Tax Takings**

Based on our interviews, the town collector processes subsequent tax takings in a timely manner. The same cannot be said for original tax takings, the process through which the town's interest is secured. It is important that the treasurer/collector initiate tax takings before the automatic lien expires. A tax lien is valid for three and a half years from the end of the fiscal year for which the taxes were assessed,

unless ownership of the property is transferred or the tax is discharged by a municipal lien certificate. Going forward, the treasurer/collector should transfer subsequent taxes into previously established tax title accounts and initiate new proceedings shortly after the demand bills become past due. Demand bills can be issued after the fourth quarter bills are due. We recommend taking firm action early in the tax enforcement process because adhering to a regular schedule each year not only produces better results but serves notice that the town is serious about tax collections.

To support this recommendation, we have provided a *Financial Operations: Tax Enforcement* policy in the attached manual.

#### **Adopt Other Postemployment Benefits Policy**

The town adopted [M.G.L. c. 32B, §20](#) to establish an other postemployment benefits (OPEB) trust and has appropriated \$500,000 to date. At this time, the treasurer is the sole trustee and custodian of the trust, responsible exclusively for the sound investment and management of these funds. We recommend the board of selectmen establish a board of trustees to implement an effective OPEB trust investment and management strategy, and continue the funding efforts for this long-term liability. An investment option the town may wish to consider is the [State Retiree Benefits Trust Fund](#).

To support this recommendation, we have provided a *Financial Planning: Other Postemployment Benefits Liability* policy in the attached manual.

#### **Review Overlay**

We recommend the town incorporate the review and reconciliation of the overlay reserve into the annual budget process to determine if any balance may be declared surplus by the board of assessors and become available for appropriation. Under the new municipal modernization act, specifically Section 133 of [Chapter 218 of the Acts of 2016](#), the accountant may maintain one overlay account encompassing all levy years easing the process for providing overlay for prior fiscal years.

To support this recommendation, we have provided a *Financial Operations: Overlay* policy in the attached manual.

#### **Reconcile Police Detail and Ambulance Services Billing and Collection**

Subsequent to our initial meeting, the town took proactive steps to address deficiencies in its outside billing and collection procedures. However, as a best practice, we recommend that a monthly reconciliation of the outstanding receivables, including an aging analysis and write-off schedule, be prepared by the respective department heads and submitted to the town accountant for review.

### **Update Town Website**

We recommend that Charlton update and expand its municipal [website](#). A comprehensive, up-to-date, and accurate website generates public awareness, transparency, and confidence in government. Easy-to-use and informative websites have proven successful in reducing the amount of time town employees spend fielding questions in person or on the phone. Helpful information found on the site can include budget and financial statements, department forms and applications, and staff or committee email addresses.

Charlton maintains a website that provides most departmental listings and contact information, community links, access to forms, electronic payment options, news, and announcements. However, some helpful reference materials, such as revenue and expenditure data, financial statements and accompanying management letters, town meeting minutes, and minutes of various boards and committees are not up to date or available on the site.

### **2003 Financial Management Review Status**

The following table presents the current status of the 18 recommendations outlined in the 2003 financial management review (FMR) report.

2003 FMR Recommendation		Status
<i>Overall Financial Management and Budgeting</i>		
▪ Modify the budget process	▪ Incomplete. Article IV§ 50-16, G of the town bylaws describe the town administrator's role in the annual budget process. Additional duties and an overview of the budget process should be added to the bylaws.	
▪ Establish a financial team	▪ Incomplete. We recommend the town adopt a bylaw, implement a formal calendar, and strengthen the role of the financial team.	
▪ Establish financial reserves policy	▪ Incomplete. The board of selectmen adopted a fund balance policy in March 2012. Since the policy was adopted, the town has balanced its operating budget with large infusions (i.e., \$200,000 to \$590,000) from the stabilization fund. We recommend that the town adopt a robust policy that eliminates reliance on reserves for ongoing expenses.	
▪ Institute capital planning and multi-year forecasting	▪ Incomplete. Codify the capital planning process in town bylaws, clearly defining a capital asset, the transmittal and approval process, and the continual monitoring of a 5-year capital plan.	
▪ Properly budget sewer enterprise fund	▪ Incomplete. We defer to the recommendations of the consultant hired to assess water/sewer operations. We also recommend that the town publish a funding matrix for each town meeting warrant. The matrix should include the available balance in the funding source, the article amount, and confirmation on whether sufficient funding exists before town meeting action may be pursued.	

2003 FMR Recommendation		Status
<i>Technology</i>		
▪ Enhance technology support and centralization	▪ Ongoing. The town has engaged outside vendors for operational support and committed funding \$25,000 annually in the capital plan for technology.	
▪ Provide training and educational opportunities	▪ Status unknown. Technology was not reviewed in detail during the recent site visit.	
▪ Develop user information guidelines and policies	▪ Status unknown. Technology was not reviewed in detail during the recent site visit.	
<i>Town Accountant Office</i>		
▪ Maintain the general ledger	▪ Done	
▪ Prepare reports	▪ Partially done. Monthly expenditure reports are prepared and distributed but monthly revenue reports are not.	
▪ Reconcile cash and receivables	▪ Incomplete. Per local officials, in the years following the 2003 FMR the town accountant completed timely reconciliations. At the time of our recent site visit, the town had not fully reconciled cash and accounts receivable, had not submitted all required tax recapitulation documentation, and was facing non-certification of its FY2017 tax rate.	
<i>Town Collector's Office</i>		
▪ Improve collection procedures	▪ Done	
▪ Sewer enterprise billing and collections	▪ Done	
<i>Treasurer's Office</i>		
▪ Standardize departmental receipts reports	▪ Done	
▪ Prepare treasurer's receipts report and cash reconciliations	▪ Partially done. While the reporting issues have been addressed, the timeliness of reconciliations remains at issue.	
<i>Assessing Office</i>		
▪ Maintain current values	▪ Status unknown. Assessment functions were not reviewed in detail during the recent site visit.	
▪ Increase self-sufficiency	▪ Status unknown. Assessment functions were not reviewed in detail during the recent site visit.	
▪ Reconcile overlay balances frequently	▪ Incomplete. At our recent visit, local officials confirmed that reconciliation of the overlay accounts are not completed on a regular basis. We recommend that the assessor and accountant balance quarterly and that the town administrator request release of any surplus as part of the annual budget process.	

## POLICY DEVELOPMENT BACKGROUND

Recognized principles of sound financial management informed the creation of the policies. The initial policy subjects in the attached manual pertain to budgetary matters and fiscal planning, while the latter convey policy objectives underpinning key, day-to-day financial management operations. In each case, the text and format were designed to foster clarity and accountability, in part by specifying the applicable parties responsible for policy adherence.

A variety of factors influenced policy selection, including interviews with the town administrator, various officials and staff, and a review of preexisting town policies. Due to multiple retirements of financial staff and recognizing the need for written policies, the Town of Charlton requested DLS to incorporate its current practices with best practice policies for stronger financial management and stability. There are several policies TAB considers to be core to providing essential guidance for local officials and staff. These include forecasting, revenue turnover, and reconciliation, and they are therefore included here. We also include a tax recapitulation process policy in response to the delay in setting the town's FY2017 tax rate.

Policy selection was also influenced by rating agencies that give weight to the existence of formal policies on debt, reserves, and other postemployment benefits liability. We recognize the board of selectmen's fund balance policy, and further expand on it for all types of financial reserves. Also included is an investment policy similar to the town's current policy, which we have updated for form and content and added references to the latest policy published by the Massachusetts Collectors and Treasurers Association.

The board of selectmen and town administrator are to be commended for recognizing the importance of formal, written policies and addressing this through the Community Compact Cabinet initiative. All the policies in this manual are presented for review and approval by the board of selectmen and other local officials as applicable. Each should be considered a living document to be periodically reassessed, modified, and agreed to as conditions change. As large as the manual is, it still does not cover all areas suitable for policies, and the town should contemplate building further on this foundation.

Finally, note that many policies contain specific provisions that local leaders need to consider and decide upon. An example taken from the policy on reserves is: "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." In each case, the draft policy has brackets around the decision point with the word(s) in the bracket representing TAB's suggestion based on researched best practices. In these cases, local officials should finalize the decisions and remove the brackets prior to adopting the policies.



# TOWN OF CHARLTON

## FINANCIAL POLICIES MANUAL







## INTRODUCTION

The Town of Charlton 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 policy is a living document that should be reviewed periodically and updated as necessary.

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

- Sustaining a consistent level of service and value for residents and businesses
- 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



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## CAPITAL PLANNING

### PURPOSE

To provide a means for planning the maintenance and improvement of capital assets and infrastructure, this policy outlines guidance for reviewing, planning, and coordinating capital improvements. This policy also promotes a systematic acquisition and replacement schedule to ensure that, given limited resources, the Town's capital needs are met.

### APPLICABILITY

This policy establishes a framework for long-term capital planning, sets guidelines and expectations for all Town departments in planning for and requesting capital projects, and outlines consensus budgetary goals for the Town Administrator and Board of Selectmen.

### POLICY

The Town will maintain its physical assets by providing funding in the operating budget to protect its capital investments and minimize future maintenance and replacement costs. The Town sustains a capital improvement program (CIP) overseen by the Town Administrator to identify and prioritize projects, analyze funding, and create a long-term financial plan achievable within the Town's budget limitations. The Town will sustain a five-year plan for capital improvements, which will be updated annually. Included in the CIP will be those projects that will provide and preserve the infrastructure needed to achieve the highest levels of public services and quality of life possible within the available financial resources. The Town will emphasize preventive maintenance as a cost-effective approach to capital reinvestment and replace exhausted goods as necessary.

#### A. Definition of a CIP Project

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

- Real property acquisitions, construction, and long-life capital equipment
- Major improvements to physical infrastructure, including streets, sidewalks, stormwater drains, water distribution systems, and sanitary sewer systems
- Major renovations of existing capital items that extend their useful lifespans, as distinguished from normal operating expenditures
- Planning, feasibility studies, and designs for potential capital projects
- Items obtained under a long-term capital lease
- Bulk purchases of similar items, like software or furniture, with expected useful lifespans of five or more years that, when aggregated, have total costs exceeding the capital threshold

#### B. Evaluation of CIP Projects

The Town Administrator orchestrates the CIP. Only projects that have gone through the Town Administrator's review process will be included in the CIP unless required by an emergency, in which case, a written report explaining the emergency must be provided to the Town Administrator and Board of Selectmen.

The Town Administrator will evaluate and prioritize capital projects using the below criteria:

- Eliminates a hazard to public health and safety
- Required by state or federal laws or regulations
- Supports adopted plans, goals, objectives, and policies
- Stabilizes or reduces operating costs
- Replaces a clearly obsolete facility or makes better use of an existing facility
- Maintains or improves productivity or existing standards of service
- Directly benefits the Town's economic base by protecting and increasing property values
- Provides new programs having social, cultural, historic, economic, or aesthetic value
- Uses outside financing sources, such as grants
- Maintains a minimum annual \$25,000 technology investment

C. Multiyear Capital Plan

The Town Administrator will annually update and propose for adoption by the Board of Selectmen and Finance Committee a five-year capital improvement plan, including the upcoming fiscal year's capital improvement budget and a four-year projection of capital needs and expenditures that details their estimated costs, descriptions, and anticipated funding sources.

D. Capital Financing

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

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

- Grant funding shall be pursued and used to finance the capital budget whenever possible.
- Capital projects for the enterprise fund shall be financed solely from the fund's revenues.
- The annual operating costs of each proposed capital project, as well its debt service costs, shall be identified before any long-term, bonded capital project is recommended.
- Major capital projects, such as new construction or major renovations to existing facilities, may be accomplished through capital or debt exclusions.
- Infrastructure or facility maintenance budgets built into the general operating budget will not be reduced to fund other departmental budgets.

E. Capital Project Closeouts

The Town will endeavor to close out all capital projects within six months of completion. As these projects are closed out, the Town Accountant will do the following:

- For bonded projects with residual balances, the Town Accountant and Treasurer will propose reallocating any balances for other applicable capital projects.

- For projects funded with available revenue (tax levy or reserves) having residual balances, the Town Accountant will propose reallocating the balances for other capital projects or close the balances to the appropriate fund surplus.

**REFERENCES**

[M.G.L. c. 44, §20](#)

[M.G.L. c. 44, §33B](#)

Division of Local Services Guidance: [\*Presenting and Funding Major Capital Projects\*](#)

**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 Town Administrator in their budget decision making and in the Treasurer's debt reporting and statutory responsibilities associated with debt management. It also applies to the Town Accountant's budget analysis duties.

### POLICY

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

#### A. Debt Financing

In financing with debt, the Town will:

1. 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 [\$100,000] 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
6. For the enterprise operations, set user fees to cover capital costs to the extent practicable

#### B. Debt Limits

The Town will adhere to these debt parameters:



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

C. Structure and Term of Debt

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

1. The Town will attempt to maintain a long-term debt schedule such that at least 50 percent of outstanding principal will be paid within 10 years.
2. The term of any debt shall not exceed the expected useful life of the capital asset being financed and, in no case, shall it exceed the maximum allowable by law.
3. The Town will limit bond maturities to no more than [10] years, except for major buildings, sewer and waste water control facility projects, 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

1. The Treasurer [and financial advisor] will report to the Town Administrator and Board of Selectmen on the Town's debt status at least annually.
2. The Town Accountant will include a statement of debt in the annual report of appropriations, receipts, and expenditures.

**REFERENCES**

[Chapter 218 of the Acts of 2016](#), Sections 61-68, 178, 180, and 234-235

[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\*](#)

Standard & Poor's article: [\*The Top 10 Management Characteristics of Highly Rated U.S. Public Finance Issuers\*](#)

**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, Charlton 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, Town Administrator, and Finance Committee in those duties. It also applies to the related job duties of the Town Accountant, Water/Sewer Commissioners, and Board of Assessors.

### POLICY

The Town of Charlton 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 - 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, retained earnings, and overlay surplus.

#### A. Free Cash

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

By [September 15<sup>th</sup>] each year, the Town Accountant will submit to DLS a year-end balance sheet, free cash checklist, and year-end reporting checklist. Once DLS certifies free cash, the Town Accountant will review any reduction to the certified balance and provide the Town Administrator a detailed explanation and subsequent year remediation plan.

The Town will set a year-to-year goal of maintaining its free cash in the range of [three - five] percent of the annual budget. To achieve this, the Town Accountant will propose budgets with conservative revenue projections, and department heads will carefully manage their appropriations to produce excess income and budget turn backs.

The Town will endeavor to transfer a minimum of 50 percent of the certified free cash to the general stabilization fund. As much as practicable, the Town will limit its use of free cash to funding one-time expenditures (like capital projects or emergencies and other unanticipated expenditures). Alternately, budget decision makers may reserve a portion of the remaining 50 percent to avoid

fully depleting the Town's free cash so that the succeeding year's calculation can begin with a positive balance.

#### 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.

**General Stabilization:** 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 Town Accountant will develop a detailed plan to replenish the fund to the minimum level within the next [two] fiscal years.

**Capital Stabilization:** The Town will establish and appropriate annually to the capital stabilization fund so that over time it achieves a target balance sufficient to cover the Town's cash outlay for capital. Doing so enables the Town to pay outright for moderate-range capital expenditures and thereby preserve debt capacity for major, higher-dollar purchases or projects. This approach balances debt with pay-as-you-go practices and protects against unforeseen costs.

#### C. Retained Earnings

The Town has separate enterprise funds to provide water and sewer utilities. By accounting for each utility's revenues and expenditures in individual funds segregated from the general fund, the Town can identify the true costs of each service—direct, indirect, and capital—and recover these through user fees and other fees. Under this accounting, the Town may reserve each operation's generated surplus (referred to as retained earnings or, alternatively, as net assets unrestricted) rather than closing the amount out to the general fund at year-end.

For each enterprise fund, the Town will maintain a reserve amount at [20] percent of the utility's total budget, at minimum, but any reserve may be significantly higher if major infrastructure improvements are necessary. These reserves shall be used to provide rate stabilization and to fund major, future capital projects. To maintain the target reserve levels for each enterprise requires the Water and Sewer departments to periodically review, and when necessary, adjust user rates.

#### D. Overlay Surplus

The overlay is a reserve the Town uses to offset unrealized revenues resulting from property tax abatements and exemptions. Charlton 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 will submit to the Town Administrator and the Town Accountant an update of the overlay reserve with data that includes, but is not limited to, the gross balance, potential abatement liabilities, and any transfers to surplus. If the balance exceeds the amount of potential liabilities, the Board of Selectmen may request that the Board of Assessors vote to declare those balances surplus available for use in the Town's capital improvement plan or for any other one-time expense.

**REFERENCES**

[M.G.L. c. 40, §5B](#)

[M.G.L. c. 59, §25](#)

[M.G.L. c. 44, §53F½](#)

DLS Best Practice: [Free Cash](#)

DLS Best Practice: [Reserve Policies](#)

DLS Best Practice: [Special Purpose Stabilization Funds](#)

DLS Informational Guideline Release 08-101: [Enterprise Funds](#)

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

DLS Informational Guideline Release 04-201: [Creation of Multiple Stabilization Funds](#)

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

Town of Charlton Overlay Policy

Town of Charlton Board of Selectmen Policy No. 28 [Fund Balance](#)

**EFFECTIVE DATE**

This policy was adopted on [ ]

## 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 in their budget analysis and decision-making responsibilities. It also applies to the job responsibilities of the Town Administrator, Town Accountant, and all the managers of revenue-generating departments, including the Town's Water and Sewer Department.

### POLICY

#### A. Revenue Guidelines

The Town will continuously 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:

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

Economic downturns or unanticipated fiscal stresses may compel reasonable exceptions to the use of one-time revenue. In such cases, the Town Administrator, in consultation with the Town Accountant, can recommend to the Board of Selectmen its use for operational appropriations. Such use will trigger the Town Administrator to develop an action plan with the Town Accountant 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](#) 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. 44, §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 will annually review their fee schedules and propose adjustments when needed to ensure coverage of service costs.
- The Water/Sewer department will set rates for the enterprise operations sufficient to cover all their direct, indirect, and capital improvement costs on self-supporting bases.
- The Building department will notify the Town Administrator of any moderate-to-large developments that could impact building permit volume.
- Department heads will strive to seek out 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 Town Accountant will annually create and provide the Town Administrator with a detailed budget forecast. The Town Accountant will 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 will be conservative based on historical

trend analyses and will use generally accepted forecasting techniques and appropriate data. To avoid potential revenue deficits, estimates for local receipts (e.g., inspection fees, investment income, license fees) should generally not exceed [90] percent of the prior year's actual collections without firm evidence that higher revenues are achievable.

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

- The current level of services 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.
- Local receipts and state aid will reflect economic cycles.
- Historical trends in the growth of specific operating expenses and employee benefits will prevail.
- Potential cost-of-living adjustment estimates for the impact of future contract settlements and compensation plan increases are included.
- 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](#), Section 67

[M.G.L. c. 44, §20](#)

[M.G.L. c. 44, §53A](#)

[M.G.L. c. 44, §53A½](#)

[M.G.L. c. 44, §63](#)

[M.G.L. c. 44, §63A](#)

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](#)

Town of Charlton Capital Planning Policy

Town of Charlton Debt Management Policy

Town of Charlton Financial Reserve Policy

## EFFECTIVE DATE

This policy was adopted on [ ]



## INDIRECT COST ALLOCATION

### PURPOSE

To ensure all indirect costs associated with the Town's water and sewer enterprise funds are allocated in a manner that is reasonable and equitable, reflects true shared costs, and is easily replicable from year to year, this policy provides guidelines for the calculation, allocation, and review of those costs.

As enterprise funds, the accounting for these funds is recorded and managed separately from the general fund. These operations have separate financial statements so that their revenues and expenses are not commingled with those of all other governmental activities. Consolidating each program's direct and indirect costs, debt service, and capital expenditures into its own distinct, segregated fund allows the Town to demonstrate to the public the true, total cost of providing the particular utility.

### APPLICABILITY

This policy applies to the Town Administrator, Town Accountant, and the Water/Sewer Commission.

### POLICY

As part of the annual budget process, the Town Administrator and Town Accountant will calculate the indirect costs to the general fund of the Town's water and sewer departments and will review the calculation with the Water/Sewer Commissioners until there is mutual agreement on the resultant totals and signify the agreement in writing. The calculation will take into account expenses for water and sewer personnel budgeted in the general fund, as well as the enterprise related expenses of the Town departments that provide administrative services to the enterprise departments, which include the Town Administrator, Town Accountant, Treasurer, Collector, Legal Services, and Information Technology departments.

The Town Accountant will calculate indirect costs using the most recent fiscal year's appropriations and based on one or more of the following methodologies: actual, transactional, estimated support, and proportional. The following expenses shall be included in the calculations:

- Benefits for active and retired employees, including insurances, Medicare tax, unemployment, and workers' compensation
- Pension Costs
- Vehicle insurance
- Property insurance
- Administrative costs
- Other costs that may be considered and agreed to, such as: materials, supplies, software, infrastructure, and fuel

The Town Accountant will maintain written instructions detailing the calculation methodology and track and record operating transfers between the relevant funds. A detailed explanation of the four different indirect cost allocation methods is included in Appendix III of this policy manual.

**REFERENCES**

Division of Local Services Guidance: [\*Costing Municipal Services: Workbook and Case Study\*](#)

Government Finance Officers Association (GFOA) Best Practice: [\*Taking Advantage of Indirect Cost Allocations\*](#)

GFOA Best Practice: [\*Measuring the Full Cost of Government Service\*](#)

**EFFECTIVE DATE**

This policy was adopted on [ ]

## INVESTMENTS

### PURPOSE

To ensure the Town's public funds achieve the highest possible, reasonable 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 recommendations 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 invested and managed by the Worcester Regional Retirement Board.

This policy applies to the Treasurer, his or her designee(s), and any advisors or other professionals in their responsibilities for investing and managing Town funds.

### POLICY

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

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 Appendix IV 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 current MCTA guidance 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 will adhere to the following guidelines on safety, liquidity and yield:

- To preserve capital, the Treasurer will mitigate credit and interest rate risks by prudently selecting and diversifying investment instruments and depository choices.

- The Treasurer will ensure the overall investment portfolio remains sufficiently liquid to meet all reasonably anticipated operating requirements. Since all possible cash demands cannot be anticipated, the Treasurer will carry out investment activities in a manner that provides for meeting unusual cash demands without liquidating investments and thereby potentially forfeiting accrued interest earnings and losing principal.
- The Treasurer will manage all investments so as to achieve a fair market average rate of return, taking into account safety and liquidity constraints as well as all legal requirements.

#### B. Risk Tolerance

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

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

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

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

### C. Ethics

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

### D. Relationship with Financial Institutions

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

When using the Veribanc rating service, the Treasurer may invest in banks that show green ratings and will subsequently monitor the ratings quarterly. If a banking institution's rating turns yellow, the Treasurer will 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 should consider liquidating all funds that are not collateralized or do not carry some form of depositor's insurance. If a rating moves to red, all money will be immediately collateralized, or covered by some form of depositors insurance, or be removed from the banking institution.

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

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

### E. Reporting Requirements

The Treasurer will assess investment activity and keep the 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 minimum:

- List of all the individual accounts and securities held at the end of the period
- List of short-term investment portfolios by security type and maturity to ensure compliance with the diversification and maturity guidelines
- Summary of income earned on monthly and year-to-date bases

- 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**

[Chapter 218 of the Acts of 2016](#), Section 94

[M.G.L. c. 29, §38A](#)

[M.G.L. c. 44, §54](#)

[M.G.L. c. 44, §55](#)

[M.G.L. c. 44, §55A](#)

[M.G.L. c. 44, §55B](#)

[M.G.L. c. 167, §15A](#)

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

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

GASB Statement 40 as amended by Statement 3, March 2003, [Deposit and Investment Risk Disclosures](#),

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

MCTA Investment Policy Statements

**EFFECTIVE DATE**

This policy was adopted on [ ]

## **OTHER POSTEMPLOYMENT BENEFITS LIABILITY**

### **PURPOSE**

To ensure fiscal sustainability, this policy sets guidelines for a responsible plan to meet the Town's obligation to provide other postemployment benefits (OPEBs) for eligible current and future retirees. It is designed to achieve generational equity among those called upon to financially support OPEBs and thereby avoid 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, Finance Committee, and Town Administrator in their budget decision-making responsibilities. The policy also applies to the OPEB-related duties of the Human Resources (HR) Director, Treasurer, and Town Accountant.

### **BACKGROUND**

In addition to salaries, the Town of Charlton 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.

Governmental Accounting Standards Board (GASB) Statement #75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" will become effective in FY2018. The new standards will require increased disclosure and will tie interest rates used in the valuation to the plan's underlying investment and funding policy.

### **POLICY**

The Town of Charlton 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. Trust and Trustees**

The Town will maintain an irrevocable trust for the benefit of the Town's retirees and dependents. The Board of Selectmen will designate an independent board of trustees to manage and invest the OPEB Fund. The Treasurer will serve as custodian and be bonded in sufficient amounts to protect fund assets.

As custodian, the Treasurer is authorized to make contributions and withdrawals from the fund. The Treasurer will also monitor investment activity and report all transactions to the Town Accountant. The trustees, as fiduciaries, will invest the fund's assets for the primary purpose of enhancing the value of the fund while minimizing the risk of large losses. On an annual basis, the Town will analyze its option to invest its OPEB trust with the [State Retiree Benefits Trust Fund](#) (SRBT) 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, Charlton's town meeting would have to vote to reaccept MGL c. 32B, sec. 20 after November 7, 2016. If the Town reaccepts section 20 and does not invest in the SRBT, town meeting must also authorize investment under the prudent investor rule [M.G.L. c. 203C for additional investment options](#).

#### B. Accounting and Reporting

The Town Accountant will obtain actuarial analyses of the Town's OPEB liability every two years and will annually report in the Town's OPEB obligations in financial statements that comply with the current GASB guidelines. The Town Accountant will also reconcile the fund to the general ledger monthly and report fund activity and expenses annually.

The Town Administrator will ensure that the Town's independent audit firm reviews compliance with the accounting and reporting provisions of this policy as part of its scheduled audit and will report the findings to the Board of Selectmen.

#### C. Mitigation

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

#### D. Funding

To address the OPEB liability, decision makers will analyze a variety of funding strategies and subsequently implement them as appropriate with the intention of fully funding the obligation. The Town will derive funding to invest in the OPEB trust from taxation, free cash, retained earnings, and any other legal form. To ensure that the Town's enterprise fund remains self-supporting, the Water/Sewer Commission will factor its proportional OPEB contributions into the setting of utility rates.



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 an annual portion of free cash and retained earnings.
- 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 the amount equivalent to the former pension-funding payment or the ARC, whichever is less.

By a two-thirds vote of town meeting, the Town may appropriate from the OPEB trust fund to cover any unexpected increase in the cost of retiree benefits if such increase would destabilize the annual budget.

#### E. Investment

Long-term OPEB liabilities require a long-term perspective in formulating and implementing investment policies. The trustees' objective for the OPEB trust fund is to achieve the highest level of investment performance that is consistent with prudent investment practices and Charlton's risk tolerance.

The trustees will direct the custodian to invest OPEB funds in the SRBT fund or other investments and set a target rate of investment return at [7] percent, understanding that investment performance that exceeds or underperforms the target rate may materially impact liabilities and future funding.

#### F. Reporting Requirements

The Treasurer will periodically review the performance of the OPEB fund with the trustees and any investment manager(s) and keep the Board of Selectmen, Town Administrator, and Finance Committee apprised by providing an annual report.

The OPEB fund performance report should include the following information at minimum:

- List of all the individual accounts and securities held at the end of the period
- Summary of income earned on monthly and year-to-date bases
- Disclosure of all fees associated with managing the fund

#### **REFERENCES**

[Chapter 218 of the Acts of 2016](#), Sections 15 and 238

[M.G.L. c. 32B, §20](#)

[M.G.L. c. 32B, §20A](#)

[M.G.L. c. 44, §54](#)

[M.G.L. c. 44, §55](#)

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

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

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

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 [ ]

## ANTIFRAUD

### PURPOSE

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

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

### APPLICABILITY

This policy pertains to any suspected fraud, abuse, or similar irregularity against the Town. It applies to the Board of Selectmen and all other elected town officials; their appointees; all Town of Charlton 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 withstand the closest possible public scrutiny. The Town intends to fully, objectively, and impartially investigate any suspected acts of fraud or other similar irregularities regardless of the position, title, length of service, or relationship with the government of any party who may be the subject of such investigation.

#### A. Definitions

Any person acting on behalf of the Town will mean any person responsible for or to Charlton'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 Charlton Police Department. Upon concluding the investigation, the Town Administrator will report results to the 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 Town Administrator 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 Town Accountant 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 [ ]

## 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, Director of Assessing, Town Accountant, Town Administrator, as well as to the Board of Selectmen and Finance Committee's role as budget decision makers.

### POLICY

#### A. Annual Overlay

Each year, the Board of Assessors will 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 Recapitulation Sheet. The Director of Assessing will determine the amount to be added to the overlay account 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

The Board of Assessors will notify the Town Administrator and the Town Accountant of the amount of overlay voted.

**B. Excess Overlay**

Annually, the Director of Assessing and Town Accountant will conduct an analysis to see if there is any excess in the overlay account balance 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 Director of Assessing will present the analysis to the Board of Assessors for its review and will also notify the Town Administrator.

**C. Overlay Surplus**

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

[Chapter 218 of the Acts of 2016](#), Sections 131, 133, 152, and 249

[M.G.L. c. 59, §25](#)

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

Town of Charlton Forecasting Policy

Town of Charlton Financial Reserves Policy

**EFFECTIVE DATE**

This policy was adopted on [ ]

## PROCUREMENT CONFLICT OF INTEREST

### PURPOSE

To ensure integrity in the procurement and contract processes, to educate Town employees, consultants, uncompensated outside parties, and any other 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's procurement officer and to 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. Charlton will provide fair opportunities to participants in competitive processes for the award of Town contracts. Process integrity will be reinforced by the practices outlined here to ensure confidentiality during the bid evaluation process and to assess and address conflicts of interest in all competitive solicitations. The Town will investigate all allegations of conflict of interest or misconduct brought to the attention of Town staff.

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 written 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 nonevaluating observers
2. Ensure that these participants sign confidentiality agreements
3. Submit the confidentiality agreements to the Town Administrator



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

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

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

1. Employees, officials, and others who regularly participate in contract activities on behalf of the Town must disclose relevant financial interests as required by state and federal laws and to annually review those statements in conjunction with this policy and other ethical standards.
2. Other persons involved in procurements must review this policy and other ethical standards and provide information in order to determine if there is a conflict of interest. Such persons will include, but are not limited to, authors of specifications; paid and unpaid evaluators; and paid and unpaid consultants who assist in the procurement process.
3. If a possible conflict of interest is identified, it must be documented and reviewed with Town Counsel.

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 prior to commencing any procurement or contract activity

The Town Administrator must:

1. Review the submitted forms for potential conflicts of interest
2. Discuss any potential conflicts of interest with 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 Town Accountant will 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's webpage [Disclosure Forms for Municipal Employees](#)

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

U.S. Office of Management and Budget, December 2013 [\*Omni Circular\*](#)  
Town of Charlton Bylaws Part I, Chapter 20, Sections 1 and 2

**EFFECTIVE DATE**

This policy was adopted on [ ]

## RECONCILIATION

### PURPOSE

To ensure transactions are in balance, to mitigate fraud, and to 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 Charlton'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 Town Accountant, Treasurer/Collector, or their designees, Assistant Human Resources Director, and to any other department that has accounts receivable responsibilities (e.g., Police, Sewer, etc.).

### 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.

#### 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 will 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'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 reflecting any adjustments to the Town Accountant.

#### B. Payroll Withholdings Reconciliation

Payroll withholdings include federal and state taxes, child support and other wage assignments for legal obligations, deferred compensation, optional insurances, association dues, and other employer-sponsored options, which are all maintained in separate general ledger accounts. The Assistant Human Resources (HR) Director will forward the employee and employer withholding summary report to the Town Accountant to record in the general ledger each pay period. To reduce

the risk to the Town for liabilities in excess of withholdings, the Assistant HR Director will reconcile the payroll withholdings to the applicable vendor/recipient accounts payable on a monthly basis and identify any discrepancies. The Assistant HR Director will provide the results of these activities to the Town Accountant and to the HR Director to make any necessary changes or adjustments.

#### C. Accounts Receivable Reconciliation

Accounts receivable are outstanding monies owed to the Town, whether from committed bills (i.e., taxes, excise, and utilities) or from uncommitted department invoices (e.g., police details, ambulance charges). To ensure these assets are accounted for and balanced, the Treasurer/Collector and the department head with accounts receivable duties (the “record-keeper”) 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 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, abatements, refunds, chargebacks) against their supporting documents
- Comparing the total amount of posted payments to the turnovers accepted by the Treasurer/Collector
- Determining whether any revenues were incorrectly recorded as payments to the commitment, such as interest and fees

The 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 Accountant’s responsibility to review all accounts analytically from time to time for reasonableness and to identify unusual activity.

The general ledger’s cash accounts should reflect only those transactions reported to the Town Accountant by the Treasurer/Collector, so that in theory, the general ledger should be in balance with the cashbook. However, errors may occur due to omitting transfers or transactions or applying them in the wrong amounts or to the wrong accounts. Whenever the Town Accountant identifies a discrepancy between the general ledger and the cashbook, the following steps must be taken in conjunction with the Treasurer/Collector to determine the cause(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 errors.
- Compare the total amount of warrants paid during the month as recorded in the cashbook with the total recorded in the ledger for the same period. The last warrant paid must be the last one recorded; otherwise, a timing problem will create a discrepancy.
- If the records still do not agree, the Treasurer/Collector and Town Accountant must trace each entry to the ledger until the variance is determined.

The Town Accountant will review the payroll withholdings reconciliation report provided by the Assistant HR Director against the general ledger and make corrections to the ledger as needed.

After receivable control sheets have been internally reconciled, committed and uncommitted accounts receivable records must also be reconciled to the Town Accountant's general ledger. Any discrepancy must be investigated to determine the source of the error:

- 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 trace each ledger entry until the variance is determined.

#### E. Time frames and Documentation

Finance department officers will complete reconciliations of their internal accounting records early each month so that subsequent reconciliations to the general ledger take place no later than [the 20<sup>th</sup>] 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 will collectively submit the reconciliation worksheets to the Town Administrator by each month's end. The completed reconciliations will be maintained by the Town Accountant as part of the Town's permanent financial records.

All fiscal year end reconciliations will be completed in order for the Town Accountant to submit all required forms to DLS for free cash certification no later than [September 15<sup>th</sup>].

**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, 2009: [\*Treasurer's Manual\*](#)

Massachusetts Collectors Treasurers Association, 2008: [\*Collector's Manual\*](#)

**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 that turn over receipts to the Treasurer. 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 all individuals within each department assigned responsibility for handling payments, as well as the Collector and Assistant Collector. It also applies to the related job duties of the Treasurer.

### 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. No town official will maintain a bank account other than the Treasurer. Each department must turn over at least weekly or immediately whenever receipts total [\$100] or more. All current-month turnovers must be completed at month-end no later than [11:00 am] on last business day of the month.

### PROCEDURES

#### A. Receiving Payments

Using prenumbered receipt books supplied by the Treasurer, departmental staff must issue a receipt for every collection received, even when the payer refuses it. Employees in the Treasurer/Collector's office receiving taxes and other collections from the public need only issue receipts for cash payments, however it is recommended to issue receipts for all collections. Without exception, all departmental staff must identify cash payments as such in their receipt books. All staff must immediately endorse each check "For Deposit Only". Every collecting department will secure all payments in a locked cashbox or safe until turned over to the Treasurer.

Each department head is responsible for overseeing the processing, recording, record retention, and turning over of collected receipts to the Treasurer. To the extent practicable, separate individuals should be tasked with receiving payments and turning receipts over to the Treasurer.

#### 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), making three copies of the turnover form, and obtaining signatures of the department head on each of them. All receipts should correlate to the numbered receipt book and to the turnover form.



On a [daily] basis, the Collector will complete a turnover of the collections for all taxes, utilities, and other committed receivables processed that day. This will consist of a turnover form showing all processed collections summarized by receipt type, which must reconcile to the bank deposits made the same day.

When the Treasurer's office has accepted the turnover, the department employee will receive two copies of the turnover form signed and dated by a Treasurer 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 will refuse to accept any turnover form that does not have a Treasurer staff member signature.

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 are accurately recorded in the appropriate general ledger accounts. Any discrepancy must be reported to the Town Accountant immediately.

#### C. Receiving Turnovers

When presented with a turnover, Treasurer staff will count the receipts in the presence of the remitting department. Any inaccuracies on the turnover form shall be corrected and initialed by both parties. The Treasurer staff member will then sign two turnover copies and return them to the departmental employee. Upon receipt, the Treasurer will secure the receipts, which shall be recorded in the cashbook and deposited in the bank within 24 hours. At no time will a department leave a turnover in the treasurer's office unattended.

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

The Treasurer will provide the Town Accountant a weekly report of all turnovers processed (i.e., the Schedule of Receipts report) for their review, formal indication of agreement or changes, and recording to the general ledger.

#### D. Reconciliation

In accordance with the Town's Reconciliation policy, the Treasurer 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 Town Accountant and the independent auditor.

#### **REFERENCES**

[M.G.L. c. 41, §35](#)

[M.G.L. c. 41, §57](#)

[M.G.L. c. 60, §57A](#)

Massachusetts Collectors Treasurers Association, 2009: [\*Treasurer's Manual\*](#)

Massachusetts Collectors Treasurers Association, 2008: [\*Collector's Manual\*](#)

Town of Charlton Reconciliations Policy

Town of Charlton Bylaws Part I, Chapter 5, Article IV, Section 5-4

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

### APPLICABILITY

This policy applies to the job duties of the Treasurer/Collector, including those duties related to managing the Town's contracted services with a private deputy collector, tax title attorney, auctioneers, or other related professionals. Tax enforcement applies to all owners of real or personal property in the Town of Charlton whose taxes are not exempt.

### POLICY

The Town of Charlton intends to timely pursue all legal methods to collect taxes from delinquent property owners with the goal of achieving a target [98 percent] property tax collection rate by fiscal year-end. The Town will also periodically pursue foreclosure actions with the primary objective of receiving all monies due. Any costs for collection 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 fourth quarter tax bill). Fifteen days later, the Treasurer/Collector will 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 1<sup>st</sup>], 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. The Town customarily publishes in the local newspaper and posts on the Town Collector webpage, at the Library, and Town Clerk's

office. 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 will prepare an Instrument of Taking for each delinquent property and record at the Registry of Deeds, 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 will 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 15<sup>th</sup> 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 are added to their accounts by the Treasurer/Collector. These charges 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 in accordance with the Town bylaw. These authorities will 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 will have the following features in common:

- 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 an annual basis, the Treasurer/Collector will identify all tax title properties older than 180 days that are not subject to a payment plan 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 will 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 will ensure the tax title attorney complies with the objectives laid out in this policy section. The Treasurer/Collector will work with the tax title attorney to prepare parcels in tax title status for foreclosure, beginning by providing each Instrument of Taking. The tax title attorney will research the tax title properties and also mail new collection enforcement letters to the taxpayers telling them of the importance of redeeming the property and warning of potential foreclosure action.

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

### REFERENCES

<a href="#">M.G.L. c. 60, §6</a>	<a href="#">M.G.L. c. 60, §16</a>
<a href="#">M.G.L. c. 60, §50</a>	<a href="#">M.G.L. c. 60, §53</a>
<a href="#">M.G.L. c. 60, §54</a>	<a href="#">M.G.L. c. 40, §57</a>
<a href="#">M.G.L. c. 60, §61</a>	<a href="#">M.G.L. c. 60, §62</a>
<a href="#">M.G.L. c. 60, §63</a>	<a href="#">M.G.L. c. 60, §76</a>
<a href="#">M.G.L. c. 60, §77</a>	<a href="#">M.G.L. c. 60, §79</a>
<a href="#">M.G.L. c. 60, §80</a>	

DLS Best Practice: [Enforcing Collections](#)

DLS Information Guideline Release on Land of Low Value Foreclosure Valuation Limit updated annually and posted to [DLS webpage](#).

### EFFECTIVE DATE

This policy was adopted on [ ]

## TAX RECAPITULATION

### PURPOSE

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

### APPLICABILITY

This policy applies to the Board of Selectmen and Town Administrator in their policymaking and management responsibilities and to the Board of Assessors in its role as principal overseer of the recap process. It also applies to the job responsibilities of the Director of Assessing, Town Accountant, Treasurer, and Town Clerk.

### BACKGROUND

The property tax levy is Charlton's largest source of revenue, which therefore makes the recap a vital component of the Town's fiscal operations. The Board of Assessors and Director of Assessing shepherd two core phases: the certification of property values and the setting of the tax rate. However, the full process begins with town meeting, involves many finance officials, and requires careful management, teamwork, and cooperation.

The four pages of the tax recap, along with its attached schedules, present the Town's annual budget plan for the fiscal year. These documents summarize all appropriations made by town meeting since the previous year's tax rate was set and identify revenue sources other than property taxes, such as state aid, local non-tax revenues, and reserves. The difference between budgeted appropriations and the revenue from these other sources must be raised through the property tax levy.

By completing the recap and submitting it to the Division of Local Services (DLS) for approval, the Town establishes its property tax levy and sets the tax rate for the year. The Town may issue actual tax bills only after DLS reviews the recap, verifies that it presents a balanced budget with a tax levy within Proposition 2½ limits, and approves the tax rate.

### POLICY

At the Town Administrator's direction, Charlton's financial team will annually complete the tax recap process no later than [November 30], provide the tax bill file to the print vendor no later than [December 10], and mail the actual tax bills by December 31. The Town Administrator will develop a realistic plan and timetable and actively monitor the team's progress through completion of the tax recap process.

#### A. Preparation and Town Meeting

A successful tax recap process requires a balanced annual budget, appropriate funding sources, and proper town meeting actions. Whereas the budget is typically adopted at the spring town meeting,

any expenditures authorized at this or other town meetings not recorded in the previous tax rate must also be included in the current recap process.

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

#### B. Recording Legislative Action

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

- The Town Clerk will certify all appropriations approved since the last tax rate was set.
- The Town Accountant will reconcile all votes and authorized amounts.
- The Town Clerk, with the Town Accountant's assistance, will enter all town meeting appropriation votes by article (page 4 of the tax rate recap).
- From the certified town meeting authorizations, the Town Accountant will complete the following DLS forms:
  - enterprise receipts and appropriations (Form A-2)
  - revolving funds (Form A-3)
  - free cash used (Form B-1)
  - available funds used (Form B-2).
- The Treasurer will verify that any reserved amount of bond premium is reported as a funding source (Form B-2).
- The Treasurer will prepare the debt exclusion report, including any use of reserved bond premiums (Form DE-1).

#### C. Following Fiscal Year Close

Within [two weeks] of closing the books for the fiscal year, the Town Accountant will continue completing the recap by:

- Reporting and documenting all deficits or other expenditures that must be funded, including debt and snow and ice (page 2 of the tax rate recap)

- Recording the actual amounts received for each type of local receipt (page 3, column (a) of the tax rate recap)
- Entering the amounts expected to be collected as local receipts using the revenue projections from the final budget approved at town meeting (page 3, column (b) of the tax rate recap)

D. Property Value Certification

Assessors must value all taxable real and personal property and must classify all real property into one of four classes (i.e., residential, open space, commercial/industrial, or personal) based on their use as of January 1. To do this, the Director of Assessing will:

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

The Director of Assessing will submit the above forms to DLS for review and certification.

E. Tax Rate Setting

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

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

F. Review and Submittal to DLS

The Board of Assessors, working through the Director of Assessing, is responsible for submitting all forms and supporting documents to DLS for tax rate approval.



- The Director of Assessing and Town Accountant will review all schedules, verify signatures, and verify that all proper documents are attached.
- The Town Accountant will ensure that all town meeting authorizations are represented and clearly reconcile to the amounts reported in the tax recap schedules.
- The Director of Assessing will submit all forms to DLS.

G. Tax Commitment Creation

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

**REFERENCES**

DLS Training [\*New Officials Financial Handbook\*](#)

DLS Training Assessors Handbook, [\*Chapter 5: Setting the Tax Rate\*](#)

Town of Charlton Forecasting Policy

Town of Charlton Overlay Policy

**EFFECTIVE DATE**

This policy was adopted on [ ]

## APPENDIX I

### POLICY ADOPTION/REVISION LOG

As part of the annual budget process, financial officers and other personnel cited in each policy's Applicability section will review the policy to ensure it is current. If a policy needs to be updated, the Town Administrator will draft proposed edits in consultation with the Town Accountant and other responsible parties. Revised policies will then be submitted to applicable Town policymakers for adoption. The Town Administrator will maintain an official record of the annual reviews and revision dates in the log below. Current policies inclusive of all amendments will be available in the Town Administrator's office.

Policy	Date of Adoption	Last reviewed	Date of Amendment(s)
Capital Planning	XX/XX/XXXX	XX/XX/XXXX	XX/XX/XXXX
Debt Management			
Financial Reserves			
Forecasting			
Indirect Cost Allocation			
Investments			
Other Postemployment Benefits			
Antifraud			
Overlay			
Procurement Conflict of Interest			
Reconciliation			
Revenue Turnover			
Tax Enforcement			
Tax Recapitulation			

**APPENDIX II**  
**MUNICIPAL CALENDAR**

**Abbreviations Defined**

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<b>ATB</b>	Appellate Tax Board
<b>DLS</b>	Division of Local Services
<b>DLS/BLA</b>	Bureau of Local Assessment
<b>DLS/BOA</b>	Bureau of Accounts
<b>DLS/MDM</b>	Municipal Data Management
<b>EQV</b>	Equalized Valuation Determined
<b>DESE</b>	Department of Elementary and Secondary Education
<b>SOL</b>	State-owned Land

**July**

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<b>1 Collector</b>	<b>Mail Preliminary Tax Bills</b> For communities that issue tax bills on a quarterly basis, the preliminary tax bills should be mailed by this date. (The preliminary bills for the 1 <sup>st</sup> and 2 <sup>nd</sup> quarters may be included in a single mailing.)
<b>15 Accountant</b>	<b>Certification Date for Free Cash - Any time after books are closed</b> Two weeks after the close of the fiscal year, the Town Accountant closes all accounts and submits the resulting balance sheet and supplemental documentation to DLS so that free cash can be certified.
<b>15 Accountant</b>	<b>Report Community Preservation Fund Balance - Any time after books are closed</b> After the close of the fiscal year, the Town Accountant submits the fund balance (Form CP-2) to DLS and notice is given to the Community Preservation Committee and other financial officers. The fund balance may be appropriated any time after the report. (Not applicable to Charlton at this time)
<b>15 School Business Officials</b>	<b>Certification Date for Excess and Deficiency (E&amp;D) Fund – Regional School Districts</b> Two weeks after the close of the fiscal year, the regional school finance official closes all accounts and submits the resulting balance sheet and supplemental documentation to DLS so that the E&D fund can be certified. A pre-closing trial balance or audited financial statements will not be accepted unless requested by the Director of Accounts.

- |           |  |   |
|-----------|--|---|
| <b>15</b> | <b>Assessor/Pipeline Company</b>                         | <b>Deadline for Appealing Commissioner's Pipeline Company Valuations to ATB</b>   |
| <b>15</b> | <b>Assessor/<br/>Telephone and<br/>Telegraph Company</b> | <b>Deadline for Appealing Commissioner's Telephone and Telegraph Company Valuations to ATB</b>  |
| <b>20</b> | <b>DLS/BLA</b>   | <b>Notification of Changes in Proposed EQVs (even-numbered years only)</b>  |
| <b>20</b> | <b>DLS/BLA</b>   | <b>Notification of Changes in Proposed SOL Valuations (2017 only)</b>   |
| <b>31</b> | <b>State Treasurer</b>                                   | <b>Notification of Monthly Local Aid Distribution</b><br>To view distribution breakdown, click<br><a href="http://www.mass.gov/treasury/cash-management/">http://www.mass.gov/treasury/cash-management/</a> |

## August

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- |           |                   |  |
|-----------|-------------------|--|
| <b>1</b>  | <b>Taxpayer</b>   | <b>Quarterly Tax Bills - Deadline for Paying 1<sup>st</sup> Quarterly Tax Bill without Interest</b><br>According to <a href="#">M.G.L. c. 59, §57C</a> this is the deadline for receipt of the 1st quarter preliminary tax payment without interest, unless the preliminary bills were mailed after July 1. If mailed by August 1, the quarterly payment is due August 1 or 30 days after the bills were mailed, whichever is later, and the 2nd quarterly payment is due November 1. If mailed after August 1, the preliminary tax is due as a single installment on November 1 or 30 days after the bills were mailed, whichever is later.   |
| <b>1</b>  | <b>Taxpayer</b>   | <b>Annual Boat Excise Return Due</b>   |
| <b>1</b>  | <b>Accountant</b> | <b>Notification of Total Receipts of Preceding Year</b><br>The total actual local receipts (e.g., motor vehicle excise, fines, fees, water/sewer charges) of the previous fiscal year must be included on Schedule A of the Tax Rate Recapitulation Sheet (recap), which is submitted by the Assessors to DLS. On the recap, the Accountant certifies the previous fiscal year's actual revenues, and the Assessors use this information to project the next fiscal year's revenues. Any estimates of local receipts on the recap that differ significantly from the previous year's actual receipts must be accompanied by documentation justifying the change in order to be approved by the DLS Director of Accounts. |
| <b>10</b> | <b>Assessor</b>   | <b>Deadline for Appealing EQVs to ATB (even-numbered years only)</b>   |
| <b>10</b> | <b>Assessor</b>   | <b>Deadline for Appealing SOL Valuations to ATB (2017 only)</b>  |
| <b>31</b> | <b>DLS/BOA</b>    | <b>Issue Instructions for Determining Local Tax Rates</b>  |

DLS sends a copy of the Tax Rate Recap Sheet and its instructions to the Town.

**31 State Treasurer Notification of Monthly Local Aid Distribution**

To view distribution breakdown, click

<http://www.mass.gov/treasury/cash-management/>

## September

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**15 Assessor Submit Property Sales Report (Recommended)**

The Property Sales Report (LA-3) is used in conducting assessment/sales ratio studies and reports all property sales over \$1,000.

**30 Accountant/ Assessor Jointly Submit Community Preservation Surcharge Report**

This report (Form CP-1) is a statement of the prior year's net Community Preservation Surcharge levy, and is used to distribute matching state funds on November 15<sup>th</sup>.

(Not applicable to Charlton at this time)

**30 Accountant/ Superintendent/ School Committee Jointly Submit End of Year Report to DESE**

Schedule 1 determines compliance with the Town's net school spending (NSS) requirement. Schedule 19 determines compliance with current year NSS requirement.

**30 Accountant Submit Snow and Ice Report**

The Town Accountant submits the statement of snow and ice expenditures and financing sources for the previous fiscal year to DLS.

**30 Treasurer Year-end Cash for the Previous Fiscal Year (due upon submission of the balance sheet for free cash certification)**

Reconciliation is the process of comparing the Treasurer's accounts to the Town Accountant's ledger balance to determine if they are consistent and making any necessary corrections. When the reconciliation is complete, the Town Accountant should indicate agreement with the Treasurer's balances. Reconciliations are required annually, but the Town should reconcile monthly to produce reliable reports and monitor the cash practices of the Treasurer's office. The year-end report as of June 30<sup>th</sup> must be completed and submitted to DLS.

If the Accountant and Treasurer do not consistently reconcile cash accounts or if the reconciliations indicate variances, the Town Administrator and Selectmen should inquire as to the reasons.

**30 Treasurer****Submit Statement of Indebtedness**

[M.G.L. c. 44, §28](#) requires the Director of Accounts to maintain complete and accurate records of indebtedness by towns. This statute also requires Treasurers to furnish any other information requested by the Director in respect to the authorization and issuance of loans.

The Statement of Indebtedness is the annual report required from Treasurers to accomplish this purpose. Treasurers should reconcile the debt records with the Town Accountant before filing the statement to ensure that it and balance sheet are in agreement.

**30 State Treasurer****Notification of Monthly Local Aid Distribution**

To view distribution breakdown, click

<http://www.mass.gov/treasury/cash-management/>

**October**

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**1 Taxpayer****Deadline for Applying to Have Land Classified as Agricultural/Horticultural Land or Recreational Land, M.G.L. c. 61A and c. 61B**

According to [M.G.L. c. 61A, §§6 and 8](#), and [c. 61B, §§3 and 5](#), this is the deadline to apply to Assessors to have land valued, taxed, and classified as agricultural/horticultural or recreational land in the next fiscal year, unless a revaluation program is being conducted for that fiscal year. Under M.G.L. c. 59, §38 and DLS guidelines, Assessors must review all property valuations and make adjustments to ensure current fair cash valuations every year. Because the revaluation program is conducted every year, taxpayers who do not submit their applications by October 1 have until 30 days after the actual tax bills for the fiscal year are mailed to apply.

**1 Taxpayer****Deadline for Submitting Forest Land Certification and Management Plan M.G.L. c. 61**

According to [M.G.L. c. 61, §2](#), this is the deadline to submit to the Assessors the State Forester's certification and approved management plan in order to have the land valued as classified forest land for 10 years beginning in the next fiscal year.

**15 Superintendent****Submit School Foundation Enrollment Report to DESE****15 Assessor****Begin Work on Tax Rate Recapitulation Sheet**

For communities that issue tax bills on a quarterly basis, the Assessors should begin gathering tax recap information in order to have enough time for the tax rate to be set and actual tax bills mailed by December 31.

**Tax Rate Recap:**

**Page 1 (Tax Rate Summary)** – This page provides the summary of the total amount to be raised, identifying what part is the tax levy with the components and rates. Assessors should compare the proposed tax levy to the levy limit. If the Town does not levy to its limit, the remaining levy is referred to as excess levy capacity. Excess levy capacity is lost to the Town for the current fiscal year although it will always remain in the levy limit calculation.

**Page 2 (Amounts to be Raised)** - This section includes town meeting appropriations and other local expenditures not appropriated, such as overlay deficits, revenue deficits, state and county charges, cherry sheet offset items, and allowance for abatements and exemptions. By comparing this information to the prior year(s), any significant expenditure changes can be determined.

**Page 2 (Estimated Receipts and Other Revenue Sources)** - This section includes cherry sheet receipts, estimated local receipts, and amounts appropriated from free cash and other available funds. By comparing these receipts to prior year(s) receipts, and to remaining free cash and available fund balances, the Selectmen can understand trends and usage of non-property tax revenues.

**Page 3 (Local Receipts Not Allocated)** – This page reports prior year actual receipts and estimated receipts for the current year for all revenue not reported on other schedules. By comparing these receipts to prior year(s), the Selectmen can recognize trends and changes in these revenues.

**Page 4 (Certification of Appropriations and Source of Funding)** This page details any financial votes of Town Meeting (Annual and Special) for the current tax year and any for the prior year not previously reported on last year's recap.

- |  |   |
|--|---|
| <b>15 Assessor</b>                     | <b>Submit New Growth and Final Valuations to DLS/BLA (Recommended)</b>  |
| <b>31 Selectmen/Town Administrator</b> | <b>Begin Establishing Next Fiscal Year’s Budget Guidelines and Request Department Budgets</b>   |
| <b>31 State Treasurer</b>              | <b>Notification of Monthly Local Aid Distribution</b><br>To view distribution breakdown, click<br><a href="http://www.mass.gov/treasury/cash-management/">http://www.mass.gov/treasury/cash-management/</a> |

## November

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- |   |  |
|---|--|
| <b>1 Taxpayer</b>                         | <b>Quarterly Tax Bills - Deadline for Paying 2<sup>nd</sup> Quarterly Tax Bill without Interest</b><br>According to <a href="#">M.G.L. c. 59, §57C</a> , this is the deadline for the 2 <sup>nd</sup> quarter tax payment.   |
| <b>1 Treasurer</b>                        | <b>Deadline for Payment of First Half of County Tax</b><br>(Not applicable to Charlton)  |
| <b>1 Selectmen and Board of Assessors</b> | <b>Hold Classification Hearing (Recommended)</b><br>The Boards of Selectmen and Assessors hold a public hearing to determine whether different or uniform rates will apply to the various classifications of real property.  |
| <b>15 DESE</b>                            | <b>Notify Districts of Any Prior-Year School Spending Deficiencies</b><br>By this date, or within 30 days of a complete-End-of-Year Report (see September 30), DESE notifies communities/districts in writing of any additional school spending requirements.  |
| <b>30 Accountant</b>                      | <b>Submit Schedule A for Prior Fiscal Year</b><br>This report is a statement of the revenues received, expenditures made, and all other transactions related to the town's finances during the previous fiscal year. The Schedule A classifies revenues and expenditures into detailed categories that provide information essential for an analysis of revenues and expenditures generated by various departments. This data, like other financial information reported to DLS, is entered into DLS's Municipal Data Bank; as such, DLS may provide time series, comparative and other types of analyses at the request of the town. This information is also sent to the US Census Bureau and eliminates a prior federal reporting requirement. Failure to file by November 30 may result in withholding major distributions of state aid until the Schedule A is accepted by BOA. |
| <b>30 Assessors</b>                       | <b>Submit Tax Recap and all Schedules to DLS/BOA</b>   |
| <b>30 Selectmen/Town Administrator</b>    | <b>Review Budgets Submitted by Department Heads</b><br>This date will vary depending on budget calendar.   |
| <b>30 State Treasurer</b>                 | <b>Notification of Monthly Local Aid Distribution</b><br>To view distribution breakdown, click <a href="http://www.mass.gov/treasury/cash-management/">http://www.mass.gov/treasury/cash-management/</a>   |



## December

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- 1 Accountant/ Superintendent/ School Committee**      **Submit Amendments to End of School Year Report to DESE**  
Last filing date to impact next year's Chapter 70 State Aid.
- 31 Water/Sewer**      **Commissioners Deadline for Betterments to be included on Next Year's Tax Bill ([M.G.L. c. 80, §13](#); [c. 40, §42I](#) and [c. 83, §27](#))**
- 31 Selectmen/Town Administrator**      **Begin to Finalize Budget Recommendations**  
The budget is being finalized for review by Finance Committee.
- 31 Assessor**      **Mail 3ABC Forms to Charitable Organizations and Forms of List to Personal Property Owners**
- 31 Collector**      **Deadline for Mailing Actual Tax Bills**  
For communities that issue tax bills on a quarterly basis, the actual tax bills should be mailed by this date. (The actual bills for the 3<sup>rd</sup> and 4<sup>th</sup> quarters may be included in a single mailing.)
- 31 State Treasurer**      **Notification of Monthly Local Aid Distribution**  
To view distribution breakdown, click <http://www.mass.gov/treasury/cash-management/>

## January

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- 1 Assessor**      **Property Tax Assessment Date**  
This is the effective date for statewide valuation and assessment of all property for the following fiscal year.
- 31 DESE**      **Notify Districts of Estimated Net School Spending Requirements for the Next Year**  
As soon as the Governor releases the ensuing year's budget, DESE notifies districts of the estimated NSS requirements. These figures are subject to change based on the final approved state budget.
- 31 DLS/BLA/Pipeline Company**      **Filing Deadline Pipeline Company Forms of List**
- 31 State Treasurer**      **Notification of Monthly Local Aid Distribution**  
To view distribution breakdown, click <http://www.mass.gov/treasury/cash-management/>

## February

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- |                             |  |
|-----------------------------|--|
| <b>1 Taxpayer</b>           | <p><b>Quarterly Tax Bills - Deadline for Paying 3<sup>rd</sup> Quarterly Tax Bill without Interest</b></p> <p>According to <a href="#">M.G.L. c. 59, §57C</a>, this is the deadline for receipt of the 3rd quarter actual tax payment without interest, unless the actual tax bills were mailed after December 31. If mailed after December 31, the actual tax is due as a single installment on May 1 or 30 days after the bills were mailed, whichever is later.</p> |
| <b>1 Taxpayer</b>           | <p><b>Quarterly Tax Bills - Application Deadline for Property Tax Abatement</b></p> <p>According to <a href="#">M.G.L. c. 59, §59</a>, applications for abatements are due on Feb. 1 unless actual tax bills were mailed after December 31. In that case, they are due May 1 or 30 days after mailing, whichever is later.</p>   |
| <b>28 Finance Committee</b> | <p><b>Continue Budget Review and Develop Recommendations</b></p> <p>This date will vary depending on the date of Town Meeting.</p>   |
| <b>28 State Treasurer</b>   | <p><b>Notification of Monthly Local Aid Distribution</b></p> <p>To view distribution breakdown, click <a href="http://www.mass.gov/treasury/cash-management/">http://www.mass.gov/treasury/cash-management/</a></p>  |

## March

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- |                                   |  |
|-----------------------------------|--|
| <b>1 DLS/MDM</b>                  | <p><b>Notification of Cherry Sheet Estimates for the Following Year</b></p> <p>(pending action on taken by the Legislature)</p> <p>The cherry sheet is an estimate of 1) receipts: local reimbursement and assistance programs as authorized by law and appropriated by the General Court and 2) assessments: state and county assessments and charges to local governments. All amounts listed on the cherry sheet are estimates. Actual receipts and charges are determined based on detailed formulas or guidelines for each program. Cherry sheets are posted on the DLS website and updated at each juncture of the state budget process.</p> |
| <b>1 Personal Property Owner</b>  | <p><b>Submit Form of List</b></p> <p>This is a listing of all personal property filed by owners with the Assessors each year for the purpose of determining taxes in the next fiscal year. The return is due on or before March 1, but the deadline may be extended by the Assessors to a date no later than the date that abatement applications are due.</p>   |
| <b>1 Charitable Organizations</b> | <p><b>Submit 3ABC Forms</b></p> <p>This is a return of property held for charitable purposes filed by a charitable organization with the Assessors each year in order to be eligible for</p>   |

exemption from taxation for the next fiscal year. The return is due on or before March 1, but the deadline may be extended by the Assessors to a date no later than the date that abatement applications are due.

- 1 DLS/BLA/  
Telephone and  
Telegraph Company**      **Filing Deadline for Telephone and Telegraph Company Forms of List**

- 31 State Treasurer**      **Notification of Monthly Local Aid Distribution**  
To view distribution breakdown, click  
<http://www.mass.gov/treasury/cash-management/>

## April

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- 1 Taxpayer**      **Deadline for Applying for Property Tax Exemptions for Persons**  
If tax bills are mailed after January 1, taxpayers have 3 months from the mailing date to file applications for exemptions.
- 30 State Treasurer**      **Notification of Monthly Local Aid Distribution**  
To view distribution breakdown, click  
<http://www.mass.gov/treasury/cash-management/>

## May

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- 1 Taxpayer**      **Quarterly Tax Bills - Deadline for Paying 4<sup>th</sup> Quarterly Tax Bill without Interest**  
According to [M.G.L. c. 59, §57C](#), this is the deadline for the 4th quarter tax payment.
- 1 Treasurer**      **Deadline for Payment of Second Half of County Tax**  
(Not applicable to Charlton)
- 1 Accountant/  
Treasurer**      **Notification of Amount of Debt Due in Next Fiscal Year**  
As required by [M.G.L. c. 44, §16](#), the Accountant or Treasurer must notify the Assessors of all debt due in the next fiscal year. The town is required to pay its debts, appropriated or not. Any debt service not covered by appropriations is added to the "Other Local Expenditures" category found on page 2 of the Tax Recap Sheet.

It is important that the Assessors have this information in order to avoid setting a tax rate lower than required and raising insufficient revenue to cover the town's expenditures.

**31 State Treasurer Notification of Monthly Local Aid Distribution**

To view distribution breakdown, click

<http://www.mass.gov/treasury/cash-management/>

**June**

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- |                    |   |
|--------------------|---|
| <b>1 Clerk</b>     | <b>Certification of Appropriations</b><br>Appropriations are certified immediately after Town Meeting so that the Town Accountant may set up accounts for each department in the town for the next fiscal year.   |
| <b>1 Assessors</b> | <b>Determine Valuation of Other Municipal or District Land</b><br>In certain communities where land is owned by another community or district, the value of the land is determined by the Assessors in the year following a revaluation year, for in-lieu-of-tax payments.  |
| <b>1 DLS/BLA</b>   | <b>Notification of Proposed EQVs (even-numbered years only)</b>   |
| <b>1 DLS/BLA</b>   | <b>Notification of SOL Valuations (2017 and every 2 years after)</b>  |
| <b>10 DLS/BLA</b>  | <b>Concludes Public Hearings on Proposed EOVs (even numbered years only)</b>  |
| <b>10 DLS/BLA</b>  | <b>Concludes Public Hearings on Proposed SOL Valuations (2017 only)</b>   |
| <b>15 DLS/BLA</b>  | <b>Commissioner Determines and Certifies Pipeline Valuations</b>  |
| <b>15 DLS/BLA</b>  | <b>Commissioner Determines and Certifies Telephone and Telegraph Company Valuations</b>   |
| <b>15 Assessor</b> | <b>Make Annual Preliminary Tax Commitment</b><br>For communities that issue tax bills on a quarterly basis, the Assessors should make the preliminary tax commitment. The commitment must be based on the prior year's net tax on the property and may not exceed, with limited exceptions, 50% of that amount. This should be done early enough for the annual preliminary quarterly bills to be mailed by July 1.   |
| <b>20 Assessor</b> | <b>Final Date to Make Omitted or Revised Assessments</b><br>As required by <a href="#">M.G.L. c. 59, §§75</a> and <a href="#">76</a> , if a property is inadvertently excluded or mistakenly underassessed on the warrant for property taxes, it is the Assessor's role to correct the mistake and assess the property correctly. Such an assessment may not be made later than June 20 of the taxable year or 90 days after the date the tax bills are mailed, whichever is later. |

- 30 Assessor**      **Overlay Surplus Closes to Surplus Revenue**  
The Assessors may certify any balance in the overlay account in excess of the remaining amount of the warrant to be collected or abated. The transfer from overlay to the overlay surplus account is done on the Assessors' initiative or within 10 days of a written request by the Selectmen. Once in the overlay surplus account, these funds may be appropriated for any lawful purpose. Any balance in the overlay surplus account at the end of the fiscal year will be closed to surplus revenue and, eventually, free cash.
- 30 Assessor**      **Physical Inventory of all Parcels for Communities that Accepted [M.G.L. c. 59, §2A\(a\)](#)**
- 30 Taxpayer**      **Deadline for Applying to Have Land Classified as Forest Land, M.G.L. c. 61**  
According to [M.G.L. c. 61, §2](#), this is the deadline to apply to the State Forester to have land certified as forest land.
- 30 Assessor**      **Submit Annual Report of Omitted or Revised Assessments**
- 30 Assessor**      **Last Day to Submit Requests for Current Fiscal Year Reimbursements of Exemptions Granted Under the Various Clauses of [M.G.L. c. 59, §5](#)**  
If an exemption is granted to a residential property owner, the property tax is lowered, and the town collects fewer tax revenues than anticipated. These exemptions are partially reimbursed by the state as indicated under "Exemptions" section B of the cherry sheet.  
  
It is the responsibility of the Assessor to submit all exemptions to DLS so that the town maybe reimbursed for statutory exemptions. If the Assessors fail to submit a request, the town's loss of tax revenues will not be offset by exemption reimbursements from the state. These reimbursements may not be filed retroactively for any year.  
  
If tax bills are mailed late, the Assessor may submit requests for reimbursement until August 20.
- 30 State Treasurer**      **Notification of Monthly Local Aid Distribution**  
To view distribution breakdown, click <http://www.mass.gov/treasury/cash-management/>

## Additional Information

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### **Exception to Due Dates**

[M.G.L. c. 4, §9](#) states that if the date for any statutory action or payment falls on a Sunday or legal holiday, that action may be performed or payment made on the next succeeding business day. This rule also applies to actions required by or payments due on a Saturday in those communities that accepted [M.G.L. c. 41, §110A](#) permitting public offices to remain closed on that date.

The due date for any local property tax payment, or abatement or exemption application, is also extended by [M.G.L. c. 59, §§57, 57C](#), and [59](#) when municipal offices are closed due to a weather-related or other public safety emergency.

# **APPENDIX III** **INDIRECT COST CALCULATION METHODOLOGIES**

1. **Actual cost** uses specific schedules to provide documentation of indirect costs, which generally include debt service and life, health, and property insurances.
2. The **transaction-based** method is calculated based on the number transactions attributed to a service as a percentage of the whole. For example, the number of bills issued by the collector for water service as a percentage of the total bills issued. This percentage is applied against the collector's total budget, including health and life insurance, Medicare, retirement, and any workers' compensation attributable to the department.

$$\begin{array}{ccccc}
 \frac{\text{Number of transactions for the}}{\text{Water Department}} & & \text{Total budget plus} & & \\
 & & \text{benefits of the} & & \\
 & & \text{department} & & \\
 & & \text{processing} & & \\
 & & \text{transactions for the} & & \\
 & & \text{enterprise} & & \\
 \hline
 \text{Total number of transactions} & \times & & = & \text{Indirect} \\
 \text{processed by the non-enterprise} & & & & \text{Departmental} \\
 \text{department} & & & & \text{Salaries}
 \end{array}$$

3. A department or official may be able to provide a reasonable **estimate of support**, or estimate of the average time spent to support a particular service. For example, the town administrator estimates that he/she spends on average four hours weekly, or 10 percent of his/her time, on water-related activities (e.g., board meetings, water commitment/billing, administration of grants, and clerical tasks). This percentage is applied against the department's or official's salary and benefits, including health and life insurance, Medicare, retirement, and any workers' compensation.

$$\begin{array}{ccccc}
 \frac{\text{Hours worked on enterprise activities}}{\text{per year by individual(s)}} & \times & \text{Salary and benefits of} & = & \text{Indirect} \\
 & & \text{individual(s) working} & & \text{Departmental} \\
 \hline
 \text{Total hours worked per year by} & & \text{on enterprise} & & \text{Salaries} \\
 \text{individual(s)} & & \text{activities} & & 
 \end{array}$$

Any department's or official's expenses related to water activities are charged directly to the water budget.

4. The **proportional** method is a straightforward calculation of the water department's direct budget (net of debt) as a percentage of the gross general fund (net of debt) and enterprise fund (net of debt) budgets. This percentage is applied against a town department's budget, including employees' benefits, that provides support to the water department.

**APPENDIX IV**  
**MASSACHUSETTS COLLECTORS AND TREASURERS ASSOCIATION**  
**ANNUAL SCHOOL HANDOUTS, COURSE 202**

**MASSACHUSETTS COLLECTORS**  
**& TREASURERS ASSOCIATION**

*46th Annual School – August 16, 2016*

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**INVESTMENT POLICY STATEMENTS**

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## 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 maybe 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.