

# FINANCIAL POLICY MANUAL | TOWN OF HARDWICK

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A COMMUNITY COMPACT CABINET INITIATIVE

NOVEMBER 2017



# DLS

DIVISION OF LOCAL SERVICES  
MA DEPARTMENT OF REVENUE

**PREPARED BY:**

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Christopher C. Harding  
Commissioner of Revenue

Sean R. Cronin  
Senior Deputy Commissioner

November 29, 2017

Board of Selectmen  
Town of Hardwick  
307 Main Street  
Hardwick MA 01031

Dear Board Members,

I am pleased to present the enclosed set of financial policies for the Town of Hardwick 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 my hope that our guidance provides direction and serves as a resource for local officials as we build better government for our citizens.

If you have any questions regarding the report, please contact Zack Blake, Technical Assistance Bureau Chief, at (617) 626-2358 or [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



# HARDWICK MASSACHUSETTS

## FINANCIAL POLICIES MANUAL





## INTRODUCTION

The Town of Hardwick 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 direction, and define authority to help ensure sound fiscal stewardship and management practices. Each should be periodically reviewed and updated as necessary.

With these policies, the Town of Hardwick, through its Board of Selectmen, Town Administrator, Finance Committee, 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
- Assuring accurate and timely reporting





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## ANTIFRAUD

### PURPOSE

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

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

### APPLICABILITY

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

### POLICY

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

#### A. Definitions

**Any person acting on behalf of the Town** shall mean any person responsible for or to Hardwick'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

#### B. Antifraud Responsibilities

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

Department heads and local officials are responsible for instituting and maintaining a system of internal controls to aid in preventing and detecting instances of abuse, fraud, and other irregularities. Appointing authorities and management are expected to recognize risks and exposures inherent in their areas of responsibility and be alert for any irregularities.

The Board of Selectmen has primary responsibility for overseeing the investigation of all suspected acts of fraud or abuse as defined in this policy. The Board may seek the involvement of the Town Administrator, Police Chief, legal counsel, Town Accountant, and other personnel or consultants as needed and may designate an agent for the Town to lead the investigation.

#### C. Reporting Suspicion of Fraud

Any employee who suspects fraud or abuse has occurred will report it to his or her department head, who will immediately forward the report to the Town Administrator. The Town Administrator will, in turn, forward the report immediately to the Chair of the Board of Selectmen, who will duly post the matter for discussion in an executive session of the Board.

In the case of suspected fraud or abuse by an employee's department head, the employee will submit the report directly to the Town Administrator. If the suspected fraud involves the Town Administrator, the report will be made to Chair of the Select Board. If the suspected fraud involves a Selectman, the report will be made to the Town Administrator, who will take no action other than to immediately refer the matter to legal counsel to conduct the investigation as the Town's agent.

Each report must include sufficient detail to ensure a clear understanding of the issues raised. Oral reports of suspected fraud or abuse will be reduced to writing by the department head or Town Administrator, whoever directly received the initial report.

#### D. Confidentiality and Anonymous Reporting

All parties assigned responsibility for receiving or investigating reports of fraud will be held accountable for maintaining the confidentiality of all related information, including the source of the report. The Town therefore strongly encourages individuals to put their names to reports. However, an anonymous report can be directed to the Town Administrator at one of the following:

- (413) 477-6197 ext. 101
- [assistant@townofhardwick.com](mailto:assistant@townofhardwick.com)
- Town Administrator, Municipal Office Building, PO Box 575, Gilbertville, MA 01031

In the event the suspected fraud involves the Town Administrator, the reporting party can make an anonymous report to a Selectman using [one of the individual emails or phone numbers posted on the Town website (*nothing currently posted*)].

#### E. Security of Evidence

Immediately after a report of suspected fraud or abuse is received, the related department head and the Town Administrator will act to prevent the theft, alteration, or destruction of relevant records and assets. Such actions may include, but are not limited to:

- Limiting access to the location where the relevant records and assets exist
- Relocating the records and assets to a secure location
- Preventing the individual or individuals suspected of committing fraud or abuse from having access to the records

#### F. Investigation

The Board of Selectmen will investigate every nonanonymous report of suspected fraud or abuse and will decide whether or not to follow up on an anonymous report based on the following:

- Seriousness of the issue raised
- Credibility of the concern
- Sufficiency of the details provided to enable an investigation

At the conclusion of the investigation, the assigned investigator will provide a written report of findings to Board of Selectmen. If this report supports a finding of fraud, the Board of Selectmen will determine the corrective action to be taken and notify the relevant department head in writing. The department head will subsequently provide the Board with at least weekly updates on the status of the corrective action until the Board determines the issue has been resolved.

The Board of Selectmen may pursue disciplinary actions against any individual(s) found to have committed fraud, abuse, or other irregularities as defined in this policy. Further, the Board of Selectmen will make every reasonable effort to recover assets and may also report the violation(s) to the appropriate authorities to pursue applicable legal actions.

#### G. Confidentiality

All participants involved in a fraud investigation will keep its details and results confidential so as not to violate any individual's expectation of privacy. No verbal information or documents related to fraud investigations, including but not limited to reports, working papers, notes, and interview records will be shared, discussed, or provided to the media or any other party without the Board of Selectmen's explicit authorization or pursuant to a court order. The Town Administrator will ensure that all documentation related to any fraud investigations is stored in a secure location.

#### H. Protections, Prohibitions and Penalties

In addition to whistleblower protections provided by federal and state laws, this policy prohibits retaliation of any kind against any employee who makes a good faith report pursuant to this policy, regardless of the investigation's outcome. No Town employee or person acting on behalf of the Town, in attempting to comply with this policy shall be:

- Dismissed or threatened with dismissal
- Disciplined, suspended, or threatened with discipline or suspension
- Intimidated or coerced
- Penalized or subjected to any other retribution or retaliation

A party found to have retaliated against an employee for making a report pursuant to this policy will be subject to disciplinary action, up to and including termination.

Any employee who knowingly makes a false report, provides evidence they know to be false, or provides information without a reasonable belief in its truth and accuracy may be subject to disciplinary action. Evidence of false allegations made with malicious intent will result in disciplinary action, up to and including termination.

#### I. 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 Administrator will disclose this in writing to the bondholders.

#### **REFERENCES**

[M.G.L. c. 149 §185](#)    U.S. Office of Management and Budget, December 2013 [Omni Circular](#)

#### **EFFECTIVE DATE**

This policy was adopted on [date].

## CAPITAL PLANNING

### PURPOSE

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

### APPLICABILITY

This policy establishes a framework for the charge of the Capital Planning Committee (CPC), sets guidelines and expectations for all Town departments in planning for and requesting capital projects, and outlines consensus budgetary goals for the Board of Selectmen, Town Administrator, and Finance Committee.

### POLICY

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

The seven-member Capital Planning Committee (CPC) is charged to oversee Hardwick's capital improvement program (CIP). The CPC's voting membership is comprised of an at-large Town citizen and one member each from the Board of Selectmen, Finance Committee, School Committee, and Board of Assessors. The Treasurer and Town Accountant are nonvoting committee members. The CPC's objectives are to assess and prioritize projects, analyze funding, and create a long-term financial plan achievable within the Town's budget limitations.

#### A. Definition of a Capital Project

A capital item is a tangible asset or project estimated to cost over (\$25,000) twenty-five thousand dollars 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 renovations of existing capital items that extend their useful lifespans, as distinguished from normal operating expenditures
- New construction of, or major improvements to, physical infrastructure, including streets, sidewalks, stormwater drains, and sanitary sewer systems
- Planning, feasibility studies, and designs for potential capital projects
- Items obtained under long-term leases
- Bulk purchases of similar items, like software or furniture, with expected useful lifespans of five or more years that, when aggregated, have total costs exceeding the capital threshold

#### B. Inventory

To support a systematic acquisition and replacement schedule, the Town Administrator will work with the Town Accountant to annually update and maintain a detailed inventory of all capital assets,

which shall include dates built, acquired or last improved, original cost, current condition, expected and remaining useful lifespans, depreciated value, extent of use, and any scheduled replacement or expansion dates. The Town Administrator will provide the CPC with a copy of the inventory annually.

#### C. Evaluation of Capital Projects

Only projects that have gone through the CPC's review process shall be included in the CIP unless required by an emergency, in which case, a written report explaining the emergency must be provided to the Board of Selectmen and Town Administrator. The CPC will evaluate and prioritize capital projects received from departments using the criteria below:

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

#### D. Multiyear Capital Plan

The CPC will annually update and propose to the Finance Committee and Board of Selectmen a (5) five-year capital improvement plan, including the upcoming fiscal year's capital improvement budget and a (4) four-year projection of capital needs and expenditures that details their estimated costs, descriptions, and anticipated funding sources.

Throughout the year, the Town Accountant will monitor active capital projects to ensure they remain properly funded and will report any capital plan amendments to the Town Administrator and Board of Selectmen.

#### E. 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 (3 to 5%) three to five percent of the general fund operating budget, net of debt, on capital investment allocations. Funding will be derived from a combination of real estate taxes, property taxes and the capital stabilization fund.

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

- Special revenue sources (e.g., grants, revolving funds) shall be evaluated as funding options whenever practical.
- The annual operating costs of each proposed capital project, as well its debt service costs, will be identified before any long-term, bonded capital project is recommended.



- Short-term debt may be used to fully finance purchases with useful lifespans of less than 10 years.
- Major capital projects, such as new construction or major renovations to existing facilities, may be accomplished through capital or debt exclusions.
- Infrastructure or facility maintenance budgets built into the general operating budget will not be reduced to fund other departmental budgets.
- To the fullest extent feasible, all capital projects associated with the Town's sewer enterprise fund shall be financed from user fees.

F. Capital Project Closeouts

The Town will endeavor to close out all capital projects within (6) six months of completion or discontinuation. As these projects are closed out, the Town Accountant will do the following:

- For bonded projects with residual balances less than \$50,000, the Town Accountant and Treasurer will propose the Board of Selectmen approve applying the balances to debt service.
- For bonded projects with residual balances in excess of \$50,000, the Town Accountant and Treasurer will propose appropriating the balances for other capital projects for which the Town may borrow for an equal or greater term as the original loan was issued.
- 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](#)

Hardwick Capital Planning Committee Bylaw

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

**EFFECTIVE DATE**

This policy was adopted on [date].

## **DEBT AFFORDABILITY ANALYSIS**

### **PURPOSE**

To ensure any debt issued by the Town will not adversely affect Hardwick's long-term fiscal health and stability, this policy provides guidelines for assessing the affordability of potential borrowings.

### **APPLICABILITY**

This policy applies to the financial analysis responsibilities of the Town Administrator and Town Accountant. It further applies to the Board of Selectmen, Finance Committee, and Capital Planning Committee in their budget decision-making duties.

### **BACKGROUND**

For any given, highly expensive capital project, a debt issuance may present the most appropriate financing strategy. Not only does it provide funds not otherwise available upfront, but the amortizing of the debt over multiple years equitably distributes the project's cost among taxpayers who may settle in or move out of town over time. Particularly in a small town with a small annual budget and modest local wealth, any decisions around the use of debt must be made in the context of affordability relative to long-term revenue and expenditure forecasts.

The [Municipal Databank](#) of the Division of Local Services (DLS) provides the data needed for the analyses outlined in this policy.

### **POLICY**

Under state and federal legal provisions, the officials subject to this policy may propose that town meeting vote to authorize a debt issuance to finance the construction, reconstruction, or acquisition of any asset with a minimum cost of \$100,000 and minimum useful lifespan of 10 years. Any such proposal will be founded upon a favorable analysis of the project's affordability as outlined in this policy. Further, the officials will manage any authorized debt obligation in such a manner as to obtain the best long-term financial advantage and will limit the amount of debt issued so as 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 Affordability Factors**

When an expensive capital improvement is under consideration, the Town Accountant, at the direction of the Town Administrator, will calculate a series of ratios. Taking the sum total of the project's estimated principal and interest costs (i.e., its projected annual debt service), the Town Accountant will combine it with any existing debt and then calculate:

- Total debt service per capita population
- Total debt service as a percent of revenue
- Total debt service as a percentage of per capita personal income
- Total debt service as a percentage of total assessed property value

The Town Accountant will review historic, multiyear trends in the above variables to make projections against the proposed length of the debt service term.

B. Benchmarking

The Town Administrator will use the Town Accountant's debt ratio data to benchmark Hardwick in comparison to peer communities. Using the DLS Databank's [Community Comparison](#) report, the Town Administrator will first determine Hardwick's peers based on factors such as population, general fund budget, equalized valuation per capita, income per capita, average single-family tax bill, geographic region, and population density. Using the same and other Databank reports, the Town Administrator will then calculate the current debt ratios listed in Section A for each community in the peer group.

C. Reporting and Decision Making

The Town Administrator will write a debt affordability report with an analysis summary and recommendation(s) and provide it to the Board of Selectmen, Finance Committee, and Capital Planning Committee. These boards will also review and comply with the separately adopted Debt Management policy before recommending any debt issuance.

**REFERENCES**

[M.G.L. c. 41, § 59](#)

[M.G.L. c. 41, § 61](#)

[M.G.L. c. 44, § 4](#)

[M.G.L. c. 44, § 6](#)

[M.G.L. c. 44, § 6A](#)

[M.G.L. c. 44, § 7](#)

[M.G.L. c. 44, § 8](#)

[M.G.L. c. 44, § 17](#)

[M.G.L. c. 44, § 19](#)

[M.G.L. c. 44, § 20](#)

[M.G.L. c. 44, § 21A](#)

[26 USC § 148](#)

Hardwick policies on Debt Management and Capital Planning

DLS Best Practice: [Understanding Municipal Debt](#)

Government Finance Officers Association Best Practices: [Benchmarking and Measuring Debt Capacity](#)

**EFFECTIVE DATE**

This policy was adopted on [date].

## **DEBT MANAGEMENT**

### **PURPOSE**

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

### **APPLICABILITY**

This policy applies to the Board of Selectmen, Town Administrator, and Finance Committee in their budget decision-making duties, the Treasurer's debt management responsibilities, and the Town Accountant's budget analysis and reporting duties.

### **POLICY**

Under the requirements of federal and state laws, the Town may periodically issue debt obligations to finance the construction, reconstruction, or acquisition of infrastructure and other assets or to refinance existing debt.

#### **D. Debt Financing**

In financing with debt, the Town will:

1. Issue long-term debt only for purposes that are authorized by state law and qualify for tax-exempt bonds and only when the financing sources have been clearly identified.
2. Use available funds to the greatest extent possible to reduce the amount of borrowing on all debt-financed projects.
3. Confine long-term borrowing to capital improvements and projects that cost at least \$100,000 and that have useful lifespans of at least 10 years or whose lifespans will be prolonged by at least 10 years.
4. Refrain from using debt to fund any recurring purpose, such as current operating and maintenance expenditures.
5. Consider using revenue bonds, special assessment bonds, or other types of self-supporting bonds instead of general obligation bonds whenever possible.
6. Set user fees to cover capital costs for the water and sewer enterprise operations to the extent practicable.

#### **E. Debt Limits**

The Town will adhere to these debt parameters:

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

#### **F. Structure and Term of Debt**

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

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

G. Bond Refunding

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

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

H. Protection of Bond Rating

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

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

I. Reporting

1. The Treasurer will report to the Board of Selectmen, Town Administrator, and Town Accountant on the Town's debt status at least annually.
2. The Town Accountant will include an indebtedness summary as part of a report on receipts and expenditures in Hatfield's Annual Town Report.
3. Town Accountant, with the Town's financial advisor, will file the annual audit and official disclosure statement within 270 days of the end of the fiscal year.

**REFERENCES**[M.G.L. c. 41, § 59](#)[M.G.L. c. 41, § 61](#)[M.G.L. c. 44, § 4](#)[M.G.L. c. 44, § 6](#)[M.G.L. c. 44, § 6A](#)[M.G.L. c. 44, § 7](#)[M.G.L. c. 44, § 8](#)[M.G.L. c. 44, § 17](#)[M.G.L. c. 44, § 19](#)[M.G.L. c. 44, § 20](#)[M.G.L. c. 44, § 21A](#)[26 USC § 148](#)

Hardwick policies on Debt Affordability Analysis and Capital Planning

DLS Borrowing Guidelines: [\*Asset Useful Life - Borrowing Limits\*](#)

DLS Informational Guideline Releases 17-21: [\*Borrowing\*](#) and 17-22: [\*Premiums and Surplus Proceeds for Proposition 2½ Excluded Debt\*](#)

Government Finance Officers Association Best Practices: [\*Refunding Municipal Bonds\*](#)

Internal Revenue Service Guidance: [\*Arbitrage Guidance for Tax-Exempt Bonds\*](#)

**EFFECTIVE DATE**

This policy was adopted on [date].

## DISBURSEMENTS

### PURPOSE

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

### APPLICABILITY

This policy applies to the Town Accountant's and Treasurer's job responsibilities and the Board of Selectmen's warrant approval duties. It further applies to all department heads and elected or appointed officials who submit requests for expense and payroll disbursements (all referred to here as "department heads").

### POLICY

No disbursement for any payroll or accounts payable (AP) expense shall occur without the prior review and approval of the Town Accountant and Board of Selectmen. Accordingly, the Town Accountant is responsible for finalizing every AP and payroll warrant, and the Selectmen's warrant approvals must be evidenced by their signatures prior to any disbursements being done. Every disbursed check will include this language on its face: "Void if not cashed within one year of issuance."

Payroll expenditures must be based on approved time and attendance records and be consistent with collective bargaining agreements or the Town's annual compensation schedule. Vendor payments must be based on original invoices and made only to entities with valid form W-9s on file. As a tax-exempt organization, the Town will not pay sales tax on any expense, including any employee personal reimbursements.

#### A. Responsibilities

The Treasurer is responsible for maintaining a database of active town employees and all retirees, including salaries, pay rates, stipends, weekly work hours, earned leave time, benefit options, and withholdings. Any change to an employee's employment status, work hours, leave accrual rate, or compensation rate can only be made by the Treasurer based on a document signed by the appropriate department head, Town Accountant, and Town Administrator.

On a biweekly basis, department heads must review, sign, and submit AP requests to the Town Accountant and payroll requests to the Treasurer. Any elected and appointed board serving as a department head may vote to delegate this approval authority to one board member, who shall report back to the board on the approval actions. These boards cannot assign this responsibility to any professional or other staff.

For each AP or payroll submission, the tasks below will be completed.

#### Department Heads:

- Verify sufficient funds are available in the appropriate account.
- Complete an AP or timesheet voucher indicating the account to be charged and attach the original invoice or receipt.

- For every new contract, submit supporting documents showing that procurement requirements have been met.
- Prepare a payroll summary based on employees' signed time sheets, including rates of pay, hours worked, pay type earned (e.g., regular, overtime, detail, etc.), and accrued time used (e.g., vacation, personal, sick).
- Sign the submission and forward it to the Town Accountant or Treasurer.

Treasurer:

Payroll

- Prepare a warrant in the gross amount plus the Town's share of Medicare tax for the Town Accountant.
- Prepare a withholdings receipt and withholdings warrant for the Town Accountant.
- Submit these warrants to the Town Accountant for review and approval.

Accounts Payable

Upon receipt of warrants signed by the Board of Selectmen:

- Review the detailed warrant and verify that no outstanding amounts are due from any listed individuals or vendors.
- For any payee with a liability to the Town, hold back the check, apply it to the amount due, and issue a net check to the recipient for any remaining balance.
- Disburse the payments by check, bank transfer, or direct deposit.

Town Accountant:

Payroll

- Verify expenditures are legal, the appropriate accounts are being charged, and funds are available.
- Submit the warrant to the Selectmen for approval.
- Post the gross payroll warrant and withholdings receipt as prepared by the Treasurer to the general ledger.
- Include the withholdings warrant with the next accounts payable warrant for payment.

Accounts Payable

- Review each AP or timesheet voucher for accuracy, original invoice, and signature.
- Contact the department head if information is missing.
- For any new contract, confirm that proper procurement procedures were followed.
- Verify that the expense is for a legal purpose, the appropriate account is being charged, and funds are available.
- Add the expense to a warrant or return the submission if any of the above cannot be validated.
- Prepare and submit the warrant to the Selectmen for approval.



**Board of Selectmen:**

- Review each warrant for appropriateness by examining invoices, back-up documents and payroll detail, and direct inquiries to the Town Accountant.
- Approve the warrant by signatures of a majority of members.

**B. Emergency Disbursements**

If there is an emergency or extenuating circumstance where payment must be made to a vendor outside of the normal warrant process, the Treasurer may issue a manual check with the written authorizations of the Town Administrator and Town Accountant. In such case, the department head will prepare a AP voucher for the disbursement to be processed as a no-check on the next accounts payable warrant.

**C. Petty Cash**

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

**D. Prior Fiscal Year Bills**

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

**E. Audit**

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

**REFERENCES**

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

[M.G.L. c. 44, §§ 56, 58, 64](#)

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

**EFFECTIVE DATE**

This policy was adopted on [date].

## **FINANCIAL MANAGEMENT TEAM**

### **PURPOSE**

To maximize the effectiveness of financial practices, a formal, financial management team helps promote optimal coordination of interdepartmental activities and long-term planning. Through regular team meetings, the Town Administrator gains insight into progress on fiscal objectives and a valuable analytical resource for budget decision making. An additional benefit of the financial management team approach is institutional continuity during times of employee turnover in financial offices.

Team meetings open lines of communication among finance officers and reinforce awareness of their interdependence. These meetings help team members identify critical junctures, consider strategies to deal with anticipated areas of concern, and establish agreement about goals, deadlines, and each individual's role in meeting common objectives.

### **APPLICABILITY**

This policy applies to the Town Administrator, Town Accountant, Treasurer, Collector and Assessor.

### **POLICY**

The Town establishes a Financial Management Team consisting of the Town Administrator, Town Accountant, Treasurer, Collector, and Assessor. The Town Administrator will schedule meeting of the team at least quarterly and will do so more frequently when necessary. Agenda topics will include:

- Status of projects requested by the Town Administrator or the Board of Selectmen
- Review of revenue and expenditure reports and analysis of cash flow
- Financial forecasting (e.g., discussion of new growth, fees, etc.)
- Analysis of capital funding sources
- Creating and reporting on corrective action plans in response to management letter citations by the independent auditor
- Reviewing the effectiveness of internal controls and proposing internal audits
- Coordinating submissions to the Division of Local Services, Massachusetts Department of Revenue

### **REFERENCES**

Division of Local Services Best Practice: [\*Financial Management Team\*](#)

### **EFFECTIVE DATE**

This policy was adopted on [date].

## **FINANCIAL RESERVES**

### **PURPOSE**

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

### **POLICY**

The Town of Hardwick 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 [13 to 17] 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**

Massachusetts Department of Revenue, Division of Local Services (DLS) must certify the Town's free cash before it can be appropriated. DLS defines free cash as "the remaining, unrestricted funds from operations of the previous fiscal year, including unexpended free cash from the previous year, actual receipts in excess of revenue estimates shown on the tax recapitulation sheet, and unspent amounts in budget line items."

The Town shall set a year-to-year goal of maintaining its free cash in the range of (3-5%) three to five percent of the annual budget. To achieve this, the Town Accountant will assist the Town Administrator in proposing budgets with conservative revenue projections, and Department Heads will carefully manage their appropriations to produce excess income and budget turn backs. Further, budget decision makers will avoid fully depleting the Town's free cash in any year, so that the succeeding year's calculation can begin with a positive balance. Moreover, as much as practicable, the Town will limit its use of free cash to funding one-time expenditures (like capital projects, snow and ice deficits, emergencies, or other unanticipated expenditures) and will appropriate any excess above (5%) five percent of the annual budget to build reserves or offset unfunded liabilities.

## B. Stabilization Funds

A stabilization fund is a reserve account allowed by state law to set aside monies to be available for future spending purposes, including emergencies or capital expenditures, although it may be appropriated for any lawful purpose. Prior to the adoption of this policy, the Town established and appropriated to two stabilization funds as detailed below.

**General Stabilization:** The Town will endeavor to maintain a minimum balance of (10%) ten 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 (10%) ten percent minimum reserve target level. If any necessary withdrawal drives the balance below the minimum level, the withdrawal should be limited to (1/3) one-third of the general stabilization fund balance. Further, the Town Administrator will work toward developing a detailed plan to replenish the fund to the minimum level within the next (3) three fiscal years.

**Capital Stabilization:** The Town will 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. This target should minimally equate to the total annual asset depreciation the Town Accountant calculates under the requirements of the Government Accounting Standards Board's Statement 34. Sustaining funding in this reserve 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 Sewer Department's finances are managed under an enterprise fund. By accounting for Sewer revenues and expenditures in a fund separate from the general fund, the Town can effectively identify its true service delivery costs—direct, indirect, and capital—and set user fees at a level sufficient to recover them. Under this accounting, the Town may reserve each operation's generated surplus (referred to as retained earnings) rather than closing the amount out to the general fund at year-end.

For the sewer fund, the Town will maintain a reserve amount at [20] twenty percent of the operation's total budget, at minimum, but any reserve may be significantly higher if major infrastructure improvements are necessary. These reserves will be used to provide rate stabilization and to fund major, future capital projects.

## D. Overlay Surplus

The overlay is a reserve the Town uses to offset unrealized revenue resulting from uncollected property taxes, abatements, and exemptions.

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 and available for use in the Town's capital improvement plan or 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 Practices: [Free Cash](#), [Reserve Policies](#), [Special Purpose Stabilization Funds](#)

DLS Departmental Procedure Manual: [Enterprise Funds](#)

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

Government Finance Officers Association Best Practices: [Fund Balance Guidelines for the General Fund](#) and [Working Capital Targets for Enterprise Funds](#)

**EFFECTIVE DATE**

This policy was adopted on [date].

## GRANT MANAGEMENT

### PURPOSE

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

### APPLICABILITY

This town-wide policy applies to the grant project managers in each department applying for or receiving grant funding. It further applies to the grant-related responsibilities of the Board of Selectmen, Town Administrator, Town Accountant, and Treasurer.

### POLICY

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

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

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

#### A. Grant Opportunity Assessment

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

#### Programmatic:

- Alignment of the grant's purpose with the Town's and department's strategic priorities
- Department's capacity to administer the grant through to closeout
- Office space, facilities, supplies, or equipment required
- Ongoing impact of the grant program after it is completed

- Compliance and audit requirements, particularly as they may differ from the Town's

Financial:

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

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

B. Grant Application and Award Acceptance

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

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

Upon receipt of the grant documents, to record the grant activity separately from regular expenses, the Town Accountant will create new general ledger accounts identifying them by name and including the CFDA (catalogue of federal domestic assistance) number for any federal grants. When notified of any amendment or adjustment by the grantor, the project manager will immediately forward the information to the Town Accountant, who will make adjustment(s) to the grant's budget in the general ledger.

C. Grant Financial Management

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

The project manager will ensure all expenditures made are allowable and consistent with each grant award's requirements. The project manager will submit project invoices to the Town Accountant with an accounts payable (AP) cover sheet that has accurate general ledger expense codes for the grant and the department head's signature. The project manager will also ensure the proper payroll account codes for grant-funded employees are included on the department's payroll report to the Town Accountant and Treasurer as part the regular payroll process.

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

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

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

#### D. Grant Closeout

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

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

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

#### E. Audit

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

#### **REFERENCES**

[M.G.L. c. 40, § 5D](#)

[M.G.L. c. 41, § 57](#)

[M.G.L. c. 44, § 53A](#)

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



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

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

**EFFECTIVE DATE**

This policy was adopted on [date].

## 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, Town Administrator, and Finance Committee in their budget analysis and decision-making responsibilities. It also applies to the job duties of the Town Accountant and to the managers of all revenue-generating departments, including the 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 assets, legal settlements, insurance proceeds, and gifts. Additionally, the Town hereby establishes the following priority order when appropriating one-time revenues:

- [Snow and ice deficit]
- [General stabilization fund]
- [Capital stabilization fund]
- [Cash capital budget]
- [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.

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 cash 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 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.
- To the extent feasible, the Gilbertville-Wheelwright Sewer Commissioners will set sewer rates sufficient to cover all fiscal year operating and capital improvement costs and thereby minimize any general fund subsidies.

#### 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.

Under any chosen approach, expenditure projections will include potential cost-of-living adjustments to account for the impact of future contract settlements and compensation plan increases.

#### C. Financial Forecast Guidelines

To determine the Town's operating capacity for each forthcoming fiscal year, the Town Accountant will annually create a detailed budget forecast and provide it the Town Administrator. The Town Accountant will also annually prepare a five-year financial projection of revenues and expenditures for all operating funds. These forecasts will be used as planning tools in developing the following year's operating budget 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 conservatively based on historical trend analyses and will use generally accepted forecasting techniques and appropriate data. To avoid potential revenue deficits, estimates for local receipts (e.g., inspection fees, investment income, license fees) should generally not exceed [90] percent of the prior year's actual collections without firm evidence that higher revenues are achievable.

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

- The Town's current level of services will provide the projected baseline.
- Property taxes (absent overrides) will grow at the limits of Proposition 2½.
- New growth will be projected conservatively, taking into account the Town's three- to five-year average by property class.
- Local receipts and state aid will reflect economic cycles.
- Historical trends in the growth of specific operating expenses and employee benefits will prevail.
- Debt service on existing debt will be paid, and the Town's Capital Planning and Debt Management policies will be followed.
- The Town will make its annual pension contributions.
- Reserves will be built up and maintained in compliance with the Town's Financial Reserves policy.
- The enterprise fund will reimburse the general fund for indirect costs.

#### REFERENCES

[M.G.L. c. 44, § 20](#)

[M.G.L. c. 44, § 53A](#)

[M.G.L. c. 44, § 53A½](#)

[M.G.L. c. 44, § 63](#)

[M.G.L. c. 44, § 63A](#)

Town of Hardwick policies on Capital Planning, Debt Management, Financial Reserves, and Indirect Cost Allocation

DLS Best Practice: [Revenue and Expenditure Forecasting](#)

DLS Informational Guideline Release 17-21: [Borrowing](#)

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

#### EFFECTIVE DATE

This policy was adopted on [date].

## **INDIRECT COST ALLOCATION**

### **PURPOSE**

To apportion all the indirect costs associated with the Town's sewer enterprise fund in an equitable manner that reflects its true shared costs, this policy provides guidelines for calculating, allocating, and reviewing those costs.

As an enterprise fund, the sewer operation's accounting transactions are recorded and managed separately from the general fund. Its revenues and expenses are not commingled with those of any other governmental activity, and it consequently has separate financial statements. Consolidating the enterprise program's direct and indirect costs, debt service, and capital expenditures into its own distinct fund allows the Town to demonstrate to the public the true, total cost of providing the particular service.

### **APPLICABILITY**

This policy applies to the Town Administrator, Treasurer, and Superintendent of the Wastewater Pollution Control Facilities (i.e., the Sewer Department).

### **POLICY**

As part of the annual budget process, the Town Administrator and Treasurer will calculate the indirect costs to the general fund of the enterprise fund and will review the calculations with the Sewer Superintendent until there is mutual agreement on the resultant totals. The calculation will take into account the Sewer Department's personnel expenses budgeted in the general fund, as well as the enterprise-related expenses of the Town departments that provide administrative services to the sewer operation, which include the Town Administrator, Town Accountant, Treasurer, and Collector departments.

The Treasurer 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 (as outlined on the next page). The following expenses may 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
- Legal services
- Other costs that may be considered and agreed to, such as: printing, postage, materials, supplies, software, infrastructure, and fuel

The Treasurer will maintain a written procedure detailing the calculation methodology. Based on the procedure's resulting formula, the Town Accountant will track and record operating transfers between the relevant funds.

### Options for Calculating Indirect Costs

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 sewer 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 worker's compensation attributable to the department.

$$\frac{\text{Number of transactions for the Sewer Department}}{\text{Total number of transactions processed by the non-enterprise department}} \times \frac{\text{Total budget plus benefits of the department processing enterprise transactions}}{\text{Total budget plus benefits of the department processing enterprise transactions}} = \text{Indirect Departmental Salaries}$$

3. A department or official may be able to provide a reasonable **estimate of support** (i.e., an estimate of the average time spent to support a particular service). For example, the Town Administrator estimates she spends an average of four hours weekly, or 10 percent of her time, on sewer-related activities (e.g., meetings, commitment/billing, budgeting, 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 worker's compensation.

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

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

4. The **proportional** method is a straightforward calculation of the Sewer 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 Sewer Department.

### **REFERENCES**

Government Finance Officers Association Best Practices: [Indirect Cost Allocation](#) and [Full Cost Accounting for Government Services](#)

### **EFFECTIVE DATE**

This policy was adopted on [date].

## INVESTMENTS

### PURPOSE

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

### APPLICABILITY

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

### POLICY

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

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, as updated by [Chapter 218 of the Acts of 2016](#) (the Municipal Modernization Act) [and](#) as published by the Massachusetts Collectors & Treasurers Association (MCTA). The latest MCTA guidance is included in the appendix of this policy manual. (Note: Section 94 of Chapter 218 of the Acts of 2016 amends current law to permit investment in certificates of deposit for up to three 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, the Town would not be able to recover the value of an investment or to recover collateral securities in the possession of an outside party.

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

#### C. Ethics

The Treasurer will refrain from any personal activity that may conflict with the proper execution of the investment program or that could impair or appear to impair the ability to make impartial



investment decisions. The Treasurer will disclose to the Board of Selectmen and Town Administrator any personal, material financial interest in financial institutions that do business with the Town. The Treasurer will also disclose any large personal financial investment positions or loans that could be related to the performance of the Town's investments.

#### D. Relationship with Financial Institutions

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

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

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

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

#### E. Reporting Requirements

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

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

**REFERENCES**

[M.G.L. c. 29, § 38A](#)

[M.G.L. c. 44, § 54](#)

[M.G.L. c. 44, § 55](#)

[M.G.L. c. 44, § 55A](#)

[M.G.L. c. 44, § 55B](#)

[M.G.L. c. 167, § 15A](#)

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

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

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

MCTA Investment Policy Statements (see Appendix)

**EFFECTIVE DATE**

This policy was adopted on [date].

## **PROCUREMENT CONFLICT OF INTEREST**

### **PURPOSE**

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

### **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 (as Hardwick's chief procurement officer) and to the related duties of the 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 ethical business practices, professional integrity, and compliance with all procurement laws and regulations. Hardwick 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 \$50,000 require competitive sealed bids or proposals for contracts. No quote or bid process is required when procuring supplies or services from vendors that are under state contracts or involved in regional cooperative purchasing agreements.

#### **A. Confidentiality during the Bid Evaluation Process**

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

The departmental purchasing employee must:

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

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

Department heads and other officials are required to ascertain and disclose to the Town Administrator any potential conflict of interest affecting procurement transactions before a contract is signed or other commitment made.

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

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

The departmental purchasing employee 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 the Town Counsel and document the resulting determinations.
3. Provide the Board of Selectmen with the documented result.
4. If a conflict or the appearance of one exists, take appropriate actions, including but not limited to, removal of the employee, consultant, or outside uncompensated party from the procurement activity or cancelation of the solicitation.

#### C. Compliance Reviews

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

#### REFERENCES

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

[M.G.L. c. 41, § 57](#)

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

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

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

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

#### EFFECTIVE DATE

This policy was adopted on [date].

## RECONCILIATIONS

### PURPOSE

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

### APPLICABILITY

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

### POLICY

The Treasurer 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 will maintain a cashbook that reflects up-to-date and accurate information for all cash and assets. To do so, the Treasurer 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.

The Treasurer will identify all reconciling items, including deposits in transit, bounced and voided checks, and discrepancies between the cashbook and financial institutions, and will correct them when appropriate. The Treasurer will then forward to the Town Accountant a summary of the reconciled cashbook balances (i.e., Schedule of Treasurer's Cash) and, when needed, a Schedule of Receipts for any adjustments made.

#### B. Payroll Withholdings Reconciliation

Payroll withholdings include federal and state taxes, child support and other wage assignments for legal obligations, deferred compensation, optional insurances, association dues, and other employer-sponsored options, which are all itemized in separate general ledger accounts. At the conclusion of each pay cycle, the Treasurer forwards a summary report and electronic file of employee and employer withholdings to the Town Accountant to be recorded in the general ledger.

To reduce the risk to the Town for liabilities in excess of withholdings, the Treasurer will conduct a monthly reconciliation of the payroll withholdings to their corresponding accounts payable and identify any discrepancies. The Treasurer will provide the results of these activities to the Town Accountant 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, excises, utility charges) or from uncommitted department invoices (e.g., police details). To ensure these assets are accounted for and balanced, the Collector, the deputy collector, and any department head with accounts receivable duties (each referred to here as “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
- 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. For the Collector, this is the Schedule of Outstanding Receivables.

#### D. Special Revenue Reconciliation

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

#### E. General Ledger Reconciliation

To achieve the core objective of maintaining the general ledger’s integrity, the Town Accountant must regularly reconcile it with the separately maintained accounting records outlined in Sections A

– D above. In addition, it is the Town Accountant's responsibility to review all accounts analytically from time to time for reasonableness and to identify unusual activity.

The general ledger's cash accounts should reflect only those transactions reported to the Town Accountant by the Treasurer, 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 to determine the cause:

- If the total amount of revenue reported in the cashbook does not agree with the amount recorded in the ledger for that month, the Treasurer 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 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 Treasurer against the general ledger and make corrections to the ledger as needed.

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

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

The Town Accountant's receivable accounts in the general ledger should reflect the transactions provided by 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 they determine the reason for variance.

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

#### F. Time frames and Documentation

Employees subject to this policy will complete reconciliations of their internal accounting records early each month so that subsequent reconciliations to the general ledger take place no later than the 15<sup>th</sup> of the month following the one being reconciled. At each quarter-ending month, the Town Accountant will extend the cash reconciliation process to individually reconcile every general ledger



account that directly corresponds to a specific bank account (e.g., stabilization funds, trust funds, guarantee bond deposits).

Each general ledger reconciliation will be documented by a worksheet cosigned by the two parties. If, at that time, any variance has not yet been fully resolved, this must be noted, along with a work plan and timetable for resolution. The Town Accountant will collectively submit the reconciliation worksheets to the Town Administrator at each month's end.

#### G. Audit

All reconciliation activities are subject to audit by Hardwick's independent auditor.

#### **REFERENCES**

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

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

Town of Hardwick Revenue Turnover Policy

#### **EFFECTIVE DATE**

This policy was adopted on [date].

## **REVENUE TURNOVER**

### **PURPOSE**

To safeguard Town assets and maximize cash flow, this policy provides guidelines for departments to turn over receipts to the Treasurer. 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, charges, and intergovernmental receipts. It applies to the individuals within each department assigned responsibility for handling payments. It further applies to the Treasurer's job duties, as well as the Collector's when acting as Assistant 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. The Town Administrator will ensure that the Town maintains surety bonds for all individuals responsible for handling payments to indemnify the Town from potential lost revenue. Each department must turn over at least weekly and sooner than that when receipts total \$300 or more. At month-end, departmental staff will turn over all revenues no later than [11:00 am] on the last business day of the month. The Town Accountant will periodically, but not less than once per year, conduct audits of departments receipt procedures.

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

Using prenumbered receipt books, assigned departmental staff must issue a receipt for every payment received, even when the payer attempts to refuse it. All departments must identify the forms of payment (check, cash or credit card) in their receipt books. Every staff person who receives any check will immediately endorse it "For Deposit Only" using a stamp or by handwriting. Every department receiving payments shall secure them in a locked cashbox or safe until completing a turnover to the Treasurer.

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

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

Departmental staff will fill out a standard Schedule of Departmental Payments (i.e., the turnover Form), obtain the department head's signature on the form, and make two copies of it. All receipts should tie back to the numbered receipt book, the turnover form, and the receipts summary reports maintained by the department head. Departmental staff will deliver the turnover in person. At no time will an employee leave a turnover in the Treasurer's office unattended.

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

When the Treasurer's office has accepted the turnover, the department employee will receive back two copies of the turnover form signed by Treasurer or Assistant Treasurer. 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 that does not have the Treasurer's or Assistant Treasurer's signature.

Every department that receives payments should review its Ledger History (monthly revenue report) to verify that all receipts turned over to the Treasurer are accurately recorded in the appropriate general ledger accounts. Report any discrepancies to the Town Accountant.

#### C. Receiving Turnovers

When presented with the turnover, the Treasurer or Assistant Treasurer will count the receipts in the presence of the authorized department employee. Any inaccuracies on the turnover form will be corrected then and initialed by both parties. The Treasurer or Assistant Treasurer will then sign two turnover copies and give them to the departmental employee.

Within 24 hours of receiving the turnover, the Treasurer will post the receipt data in VADAR's Treasurer's Receipts module. At minimum by the close of each week, the Treasurer will review the VADAR postings, turnover documents, and receipts, record the receipts in the [Excel or VADAR] cashbook, create a deposit package, and deposit the revenues at the bank. Until the receipts can be deposited, the Treasurer and Assistant Treasurer will secure them in the Treasurer's office vault.

The Town Accountant will compare the turnover documents received from departments with the postings in VADAR's Treasurer's Receipts module and will contact the Treasurer about any documentary discrepancies. The Town Accountant will then accept the verified VADAR receipt batches, which posts them 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 Board of Selectmen, Town Administrator, Finance Committee, Town Accountant, and independent Auditor.

#### **REFERENCES**

[M.G.L. c. 41, § 35](#)

[M.G.L. c. 41, § 57](#)

[M.G.L. c. 44, § 69](#)

[M.G.L. c. 60, § 57A](#)

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

**EFFECTIVE DATE**

This policy was adopted on [date].

## TAX ENFORCEMENT

### PURPOSE

To provide guidance for equitably enforcing tax obligations and set expectations for both the Town and taxpayers, this policy clearly defines when and how the Town will transition unpaid property taxes from tax title through to foreclosure. It is in the best interest of the Town of Holland 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 Collector and Treasurer, including the Treasurer's responsibility for managing services contracted through the Town's tax title attorney. Tax enforcement applies to all Hardwick real estate property owners whose taxes or water and sewer charges are not exempt.

### POLICY

The Town of Hardwick intends to timely pursue all legal methods to collect taxes from delinquent property owners with the aim of achieving a target (97%) ninety-seven percent property tax collection rate by fiscal year-end. A delinquency is defined as a bill outstanding at least one (1) year and one (1) day after its final due date. A tax delinquency represents a lien on property, which remains in effect until all taxes, interest, and fees have been paid in full. The cost of all collection methods are added to the real estate tax bill and property lien.

#### A. Demands

Final taxes are due to be paid as of the first business day of May each year (the due date for the fourth quarter tax bill). No later than June 1st, the Collector will issue demand notices to all assessed property owners who have failed to pay in full, have not been granted full exemptions, and do not have automatic stays on record due to bankruptcy filings.

#### B. Tax Taking

The Collector will begin the tax taking process within (60) sixty 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 Collector must complete the takings within (3½) three and one half years from the end of the fiscal year for which the taxes were assessed to secure, or perfect, the tax liens. The Collector shall carefully document the taking process to preserve the Town's rights for future actions.

The 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 by [September 1] the Collector will publish a Notice of Tax Taking in two local newspapers and post the notice in two or more convenient, public places. The Town customarily publishes in Ware River News and Barre Gazette. In addition, the Collector posts notices on bulletin boards at the Municipal Office Building

and at all (3) three post offices in Hardwick. From this point forward only cash, certified check, or cashier's check are acceptable forms of payment.

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

#### C. Subsequent Taxes

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

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

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

The Collector will provide a listing of all individuals who are delinquent in paying taxes for one year and one day to the Town departments, boards, and committees that issue licenses and permits. These authorities will review the list to deny, suspend, or revoke delinquent taxpayers' licenses and permits. To further compel the payment of outstanding taxes, beginning Fiscal Year 2018 (FY2018), the Town requires all the issuing departments, boards, and commissions to forward to the Collector a Certification of Good Standing Form. This form must be certified by signature of the Collector and returned to the department, board or commission prior to issuing any permit or license. No permit or license shall be issued if taxes are not in good standing.

#### E. Tax Title Payment Agreements

***This section is subject to the adoption of a tax title payment agreement bylaw, [M.G.L. c. 60, § 62A](#).***

*The Treasurer will pursue and establish payment agreements for parcels in tax title to allow delinquent taxpayers to pay off their tax liens over time. The Treasurer will actively monitor compliance with all agreements, which will have the following features in common:*

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

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

#### F. Redemption or Foreclosure

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

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

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

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

#### REFERENCES

<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, § 62A</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>		

Town of Hardwick's Tax Collector Bylaw

DLS Best Practices: [Enforcing Collections](#)

DLS Informational Guideline Releases 05-208: [Payment Agreements and Tax Receivable Assignments](#) and [Land of Low Value Foreclosure Valuation Limit](#) updated annually

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

#### EFFECTIVE DATE

This policy was adopted on [date].

## TAX RECAPITULATION

### PURPOSE

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

### APPLICABILITY

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

### BACKGROUND

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

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

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

### POLICY

At the Town Administrator’s direction, Hardwick’s financial team will annually complete the tax recap process no later than [November 30]. The Collector will print and mail the actual tax bills no later than December 31. The Town Administrator will develop a realistic plan and timetable to meet these deadlines and keep the Board of Selectmen apprised of progress.

#### A. Preparation and Town Meeting

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

- The Board of Selectmen, through the 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 funds available for appropriation by town meeting.
- The Treasurer and Town Counsel will ensure any debt issuance authorizations are proper.
- The Board of Selectmen will ensure that any proposal for a general override, debt exclusion, or capital exclusion is properly presented in the town meeting warrant and, if passed, put to a town-wide referendum.

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

#### A. Recording Legislative Actions

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

- The Town Clerk will certify all appropriations approved since the last tax rate was set.
- The Town Accountant will reconcile all votes and authorized amounts.
- The Town Clerk, with the Town Accountant's assistance, will enter all town meeting appropriation votes by article into the DLS Gateway system (page 4 of the tax recap).
- From the certified town meeting authorizations, the Town Accountant will complete the following Gateway forms:
  - enterprise receipts and appropriations (Schedule A-2)
  - revolving funds (Form A-3)
  - free cash used (Form B-1)
  - available funds used (Form B-2)
- If applicable, the Treasurer will prepare the debt exclusion report, including any use of reserved bond premiums (Form DE-1), and report any reserved bond premium amounts used as funding sources (Form B-2).
- The Town Accountant will include all costs appropriated in the general fund for enterprise operations (e.g., health insurance, other insurances, pension costs) in part 2. b. of Schedule A-2.

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

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

- Recording the actual amounts received for each type of local receipt (page 3, column (a) of the tax recap and column (a) section 1 on Schedule A-2)
- Entering estimated local receipts using the revenue projections from the final budget approved at town meeting (page 3, column (b) of the tax recap and column (b) section 1 on Schedule A-2 )

#### C. Property Value Certification

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

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

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

#### D. Tax Rate Setting

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

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

#### E. Review and Submittal to DLS

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

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

F. Tax Commitment Creation

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

**REFERENCES**

DLS Training Publications: [\*New Officials Financial Handbook\*](#) and [\*Assessors Course 101 Handbook Chapter 5: Setting the Tax Rate\*](#)

Town of Hardwick policies on Forecasting and Year-end Closing

**EFFECTIVE DATE**

This policy was adopted on [date].

## TRAVEL REIMBURSEMENT

### PURPOSE

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

### APPLICABILITY

This policy applies to all elected and appointed officials and employees authorized to travel for work purposes.

### POLICY

The Town of Hardwick will reimburse employees and officials (all referred to here as “employees”) for reasonable expenses incurred for travel on the Town’s behalf as authorized by their Department Heads, the Board of Selectmen, or the Town Administrator. Travel shall be restricted to necessary activities that provide a public benefit, such as training, professional conferences, and other municipal-related activities.

All travel on Town business shall be planned for using the most economical mode and class of transportation reasonably available and the most direct and time-efficient route. Officials and employees will travel using government and group rates when available. The Town will not reimburse or pay sales tax but will, however, pay meals and room excise taxes.

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

#### A. Travel Forms

All travel expenditures are to be documented using the Travel Expense Reimbursement Sheet signed by the traveler and the authorizing department head. Separate sheets must be completed for each traveler, and the sheets must be retained by the department until the travel is finalized unless advance payments are required. These Travel Sheets are available in the Town Accountant’s office.

#### B. Unauthorized Expenses

The following expenditures will not be reimbursed:

- Alcoholic beverages and tobacco
- Costs associated with any political or charitable event
- Expenses incurred by or on behalf of any person who is not a Town employee who accompanies the employee on official business

- Expenses incurred for the sole benefit of the traveler, such as valet service, entertainment, laundry services, etc.

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

### C. Travel Expense Categories

#### **Transportation**

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

#### **Lodging**

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

#### **Meals**

- If travel requires an employee to be away from home for more than 24 hours, he or she will be reimbursed for reasonable charges for meal expenses.
- Meal costs, including tips and taxes, incurred during the course of approved travel will be reimbursed only upon presentation of itemized receipts. If the receipt is for multiple employees, they should be listed on the back of the receipt.
- Meals included in registration costs cannot be claimed for reimbursement or advance.
- Under no circumstance will the total meals reimbursement exceed the Town's per diem rate of [\$40].

#### **Registrations**

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

**Incidentals**

- Incidentals must be paid by the traveler and submitted for reimbursement when finalizing the Travel Expense Reimbursement Sheet. Receipts are required for all miscellaneous, unanticipated expenses.

**D. Reimbursement Submission**

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

**E. Violations**

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

**F. Audit**

All expenses are subject to verification that they comply with this policy.

**REFERENCES**

[M.G.L. c. 41, §52](#)

[M.G.L. c. 44, §58](#)

[M.G.L. c. 268A, sec. 3](#)

**EFFECTIVE DATE**

This policy was adopted on [date].

## YEAR-END CLOSING

### PURPOSE

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

### APPLICABILITY

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

### POLICY

The Town Administrator will hold every department head accountable for timely and accurately completing the year-end tasks applicable to each as outlined in this policy.

Annually no later than May 15, the Town Administrator will email this policy to all department heads as a reminder of year-end expectations. The Town Administrator will subsequently coordinate the various components of year-end tasks under the time frames and procedures outlined below. All facets of the Town's year-end closing detailed here will be accomplished no later than October 31 each year.

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

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

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

#### B. Year-end Encumbrances

By June 1, the Town Accountant will email all department heads advising them to submit all available invoices by June 30 and to provide notification of any pending obligations remaining from

the fiscal year. With proper documentation, the Town Accountant will only encumber funds that have been committed to specific purchases (by purchase orders), services (by service agreements), projects (by contracts), or to salary as of June 30.

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

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

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

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

D. Year-end Transfers

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

E. Closing the Books

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

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

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

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



## Town Accountant:

- |   |              |
|---|--------------|
| ▪ Snow and ice data sheet                         | September 15 |
| ▪ Combined balance sheet and supporting documents | September 30 |
| ▪ Schedule A                                      | October 31   |

## Town Accountant and Treasurer:

- |                                    |              |
|------------------------------------|--------------|
| ▪ Statement of indebtedness        | August 31    |
| ▪ Treasurer's year-end cash report | September 30 |
| ▪ Cash reconciliation              | September 30 |

## Town Accountant, Treasurer, and Collector:

- |                                       |              |
|---------------------------------------|--------------|
| ▪ Schedule of outstanding receivables | September 30 |
|---------------------------------------|--------------|

**REFERENCES**

[M.G.L. c. 44, § 33B](#)

[M.G.L. c. 64, § 64](#)

[M.G.L. c. 59, § 5](#)

Town of Hardwick policies on Tax Enforcement, Grants Management, and Reconciliations

DLS Informational Guideline Release 17-13: [Appropriation Transfers](#)

Governmental Accounting Standards Board Statement 1: [Objectives of Financial Reporting](#)

Government Finance Officers Association Guidance: [Timely Financial Reporting](#)

**EFFECTIVE DATE**

The policy was adopted on [date].

# **APPENDIX**



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**POLICY LOG**

<b>Policy</b>	<b>Adopted</b>	<b>Last Reviewed</b>	<b>Amended</b>
Antifraud			
Capital Planning			
Debt Affordability Analysis			
Debt Management			
Disbursements			
Financial Management Team			
Financial Reserves			
Forecasting			
Grant Management			
Indirect Cost Allocation			
Investments			
Procurement Conflict of Interest			
Reconciliations			
Revenue Turnover			
Tax Enforcement			
Tax Recapitulation			
Travel Reimbursement			
Year-end Closing			



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**THE MASSACHUSETTS COLLECTORS AND TREASURERS ASSOCIATION'S  
ANNUAL SCHOOL HANDOUTS, COURSE 202** (Modified for Hardwick)

*46th Annual School – August 16, 2016*

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**INVESTMENT POLICY STATEMENTS**

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**TOWN OF HARDWICK, MA  
INVESTMENT POLICY STATEMENT**

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

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

**A. Scope**

This section applies only to short-term operating funds, such as general funds, special revenue funds, enterprise funds, bond proceeds, and capital project funds. Section II deals with trust funds and any other funds with special circumstances, such as stabilization funds. The Worcester Regional Retirement System is responsible for the investment of the Town's 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 safety 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 CDs up to the standard limits and takes delivery on the repos and US Treasuries. Under Government Accounting Standards Board regulations (GASB), 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 CD accounts at banks that do not fit the above categories. These investments are subject to the following limitations: No more than 5% of an institution's assets and no more than 25% of a municipality's cash may be comprised of unsecured bank deposits. This percentage may be increased for not more than 30 days during times of heavy collection or in anticipation of large payments that will be made by the Town in the near future. These payments may be for such items as debt service payments or regional school assessments. Their creditworthiness will be tracked by Veribanc or other bank creditworthiness 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 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 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, and State pools (MMDT), no more than 10% of the Town'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 Massachusetts General Law Chapter 44 Section 55, 55A, & 55B.

#### E. Restrictions

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

- The 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 or she 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 90 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, and other funds the Town may have set aside for long-term use.

All accounts will be maintained separately, thereby 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 that are members of the Federal Deposit Insurance Corporation, or national banks, or invested in participation units in a combined investment fund under section 38A of chapter 29, or in a paid-up shares and accounts of and in cooperative 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 Town may invest such funds in securities, other than mortgages or collateral loans, that 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 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 the F.D.I.C. and in some cases also by the 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 CD 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 the Town's cash. This percentage may be increase 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 payments 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 any individual security's credit risk or market price changes, provided the purchase and sale of the security are 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 applies 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 comingled and invested in any instruments allowed by the Massachusetts List of Legal Investments 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 List of Legal Investments, Chapter 167 Section 15A.

### III. General Provisions

#### A. Objective

Massachusetts General Laws, Chapter 44, section 55B requires the 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 the 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 Town will manage credit risk several ways. There will be no limit to the amount of U.S. Treasury and U.S. Government Agency obligations. In regards to other investments, the Town will only purchase investment grade securities with a high concentration in securities rated A or better. The Town may invest in the Massachusetts Municipal Depository Trust (MMDT) with no limit to the amount of funds placed in the fund. The Town 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 Town will review the financial institution's financial statements and the background of the Advisor. The intent of this qualification is to limit the Town's exposure to only those institutions with proven financial strength, capital adequacy, and overall affirmative reputation in the municipal industry. Further, all securities not held directly by the Town will be held in the Town'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 Town 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 Town 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 Town 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 that could impair or appear to impair ability to make impartial investment decisions. Said individuals shall disclose to the Board of Selectmen any material financial interest in financial institutions that do business with the Town. They shall also disclose any large personal financial investment positions or loans that could be related to the performance of the Town's investments.

### D. Relationship with Financial Institutions

Financial institutions should be selected first and foremost with regard to their financial soundness and stability. The Town 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.

In instances where the Town 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 Town on a quarterly basis.

When using the Veribanc Rating Service, the Treasurer may invest in banks that show a green rating in a particular quarter. If a rating is yellow, the Treasurer should contact the 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 carrying 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 removed from the banking institution.

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

- Financial statements
- If acting as a Registered Investment Advisor, a copy of their most recent Form ADV
- 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 will be prepared by the Treasurer and distributed to the Board of Selectmen, Town Administrator, and Finance Committee. This report will include the following information at minimum:

- Listing of the individual accounts and individual securities held at the end of the reporting period.
- 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.
- Summaries of the income earned on a monthly basis and year-to-date basis.
- The report should demonstrate the degree of compliance with the tenets set forth in the IPS.

### **MUNICIPAL CALENDAR**

#### Abbreviations Defined

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<b>DLS</b>	Division of Local Services
<b>BLA</b>	DLS Bureau of Local Assessment
<b>BOA</b>	DLS Bureau of Accounts
<b>MDM</b>	DLS Municipal Data Management
<b>ATB</b>	Appellate Tax Board
<b>EQV</b>	Equalized valuation
<b>Tax Recap</b>	Tax recapitulation worksheet

<b>July</b>		
1	Collector	<b>Mail Annual Preliminary Tax Bills</b> Per <a href="#">M.G.L. c. 59, § 57C</a> , the 1 <sup>st</sup> and 2 <sup>nd</sup> quarter bills may be issued in a single mailing.
15	Accountant and Treasurer	<b>Deadline to Process all Prior-Year Unencumbered Expenditures</b> Under <a href="#">M.G.L. c. 44, § 56</a> , all unencumbered expenses incurred as of June 30 must be recorded and paid as of this date.
15	Pipeline Company	<b>Deadline for Appealing Commissioner's Pipeline Company Valuations to the ATB</b>
15	Telephone and Telegraph Company	<b>Deadline for Appealing Commissioner's Telephone and Telegraph Company Valuations to the ATB</b>
20	BLA	<b>Notification of Changes in Proposed EQVs (even-numbered years only)</b>

<b>August</b>		
1	Taxpayer	<b>Deadline for Paying 1st Quarter Tax Bill</b> Per <a href="#">M.G.L. c. 59, § 57C</a> , this is the deadline to pay the 1st quarter preliminary tax payment without interest for bills that were mailed by July 1. If the bills were mailed between July 2 and August 1, this payment is due 30 days after the mailing date, and the 2nd quarterly payment is due November 1. If the bills were 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.
1	Taxpayer	<b>Deadline for Submitting Annual Boat Excise Return</b>
10	Assessors	<b>Deadline for Appealing EQVs to the ATB (even-numbered years only)</b>
31	Accountant	<b>Close Prior-Year Books by this Date</b>

<b>September</b>		
15	Assessors	<b>Submit Property Sales Report (recommended date)</b>
15	Accountant	<b>Submit Snow &amp; Ice Data Sheet</b>
30	Accountant, Treasurer, and	<b>Submit Balance Sheet and other Documents for Free Cash Certification</b>

Collector	<p>The Accountant, Treasurer, and Collector coordinate to submit a balance sheet to BOA along with:</p> <ul style="list-style-type: none"> <li>▪ Statement of Indebtedness</li> <li>▪ Treasurer's Year-end Cash Report</li> <li>▪ Cash Reconciliation Form</li> <li>▪ Schedule of Outstanding Receivables</li> </ul>
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## October

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1	Collector	<p><b>Mail Preliminary Tax Bills for 2<sup>nd</sup> Quarter</b></p> <p>Collector mails these bills if the 2<sup>nd</sup> quarter bills were not included in the July mailings.</p>
1	Taxpayer	<p><b>Deadline for Applying to Have Land Classified as Agricultural/Horticultural Land or Recreational Land</b></p> <p>Under <a href="#">M.G.L. c. 61A, §§ 6 and 8</a> and <a href="#">c. 61B, §§ 3 and 5</a>, this is the deadline to apply to the Assessors to have land valued, taxed, and classified as agricultural/horticultural or recreational land in the next fiscal year. Taxpayers who miss this deadline have until 30 days after the mailing of the actual tax bills to apply to the Assessors.</p>
1	Taxpayer	<p><b>Deadline for Submitting Forest Land Certification &amp; Management Plan</b></p> <p>As set by <a href="#">M.G.L. c. 61, § 2</a>, this is the deadline to submit to the Assessors the State Forester's certification and approved management plan to have land classified as forest land for 10 years beginning in the next fiscal year.</p>
15	Assessors and Accountant	<p><b>Begin Working on the Tax Rate Recapitulation Sheet</b></p> <p>The Assessors should begin gathering data for the following tax recap pages in order to have enough time for the tax rate to be set and actual tax bills mailed by December 31.</p>
15	Assessors	<p><b>Submit New Growth, Amended Tax Base Levy Growth, and Final Valuations Reports to BLA (recommended date)</b></p>

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## November

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1	Taxpayer	<p><b>Deadline for Paying 2nd Quarter Tax Bill</b></p> <p>Per <a href="#">M.G.L. c. 59, § 57C</a>, this is the deadline to pay the 2nd quarter tax payment without interest.</p>
1	Selectmen and Assessors	<p><b>Hold Classification Hearing (recommended date)</b></p> <p>The Board of Selectmen holds a public hearing at which the Assessors present information to assist it in determining whether to apply uniform or different tax rates to classes of real and personal property.</p>

30	Accountant	<b>Deadline to Submit Schedule A</b> Schedule A reports the town's revenues received, expenditures made, and all other financial transactions done in the previous fiscal year. Failure to file Schedule A to BOA by November 30 may result in the withholding or forfeiture of state aid.
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30	Assessors	<b>Submit Tax Recap and all Schedules to BOA</b>
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## December

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31	Board of Selectmen	<b>Deadline for Betterments to be included on Next Year's Tax Bill</b> ( <a href="#">M.G.L. c. 80, § 13</a> ; <a href="#">c. 40, § 42I</a> and <a href="#">c. 83, § 27</a> )
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31	Assessors	<b>Mail 3ABC Forms to Charitable Organizations and Forms of List to Personal Property Owners</b>
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31	Collector	<b>Deadline for Mailing Actual Tax Bills</b> Issue actual tax bills for the 3 <sup>rd</sup> and 4 <sup>th</sup> quarters in a single mailing.
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## January

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31	DESE	<b>Notify Communities and Districts of Estimated NSS Requirements</b> As soon as the Governor releases the ensuing year's budget, DESE notifies communities and districts of that next year's NSS estimates, which are subject to change once the final state budget is approved.
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31	Pipeline Company	<b>Deadline for Pipeline Company to File Form of List with BLA</b>
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## February

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1	Taxpayer	<b>Deadline to Pay 3<sup>rd</sup> Quarter Tax Bill</b> Per <a href="#">M.G.L. c. 59, § 57C</a> , this is the deadline to pay the 3rd quarter actual tax bill without interest unless the 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.
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1	Taxpayer	<b>Deadline to Apply for Property Tax Abatement</b> According to <a href="#">M.G.L. c. 59, § 59</a> , abatements applications are due on February 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.
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## March

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1	MDM	<b>Notification of Cherry Sheet Estimates for the Following Year</b> (pending action taken by the Legislature)
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		The cherry sheet provides estimates 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. MDM posts cherry sheet data on the DLS website and updates them at every stage of the state budget process.
1	Personal Property Owner	<b>Submit Form of List to Assessors</b> This form is due by March 1, but the Assessors may extend the deadline to a date no later than the date abatement applications are due.
1	Charitable Organization	<b>Submit 3ABC Forms</b> To be eligible for exemption from taxation for the next fiscal year, a charitable organization must file this form with the Assessors detailing the property held for charitable purposes. It is due by March 1, but the Assessors may extend the deadline to a date no later than the date abatement applications are due.
1	Telephone and Telegraph Company	<b>Deadline for Telephone and Telegraph Company to File Form of List</b> BLA may extend the deadline to a date no later than April 1.
<hr/> <b>April</b> <hr/>		
1	Collector	<b>Mail 4<sup>th</sup> Quarter Tax Bills</b> Collector mails these bills if the 4 <sup>th</sup> quarter bills were not included in the December mailings.
1	Taxpayer	<b>Deadline to Apply for Property Tax Exemptions for Persons, Residential Exemptions, and Small Commercial Exemptions</b> This is the deadline to apply to the assessors if actual tax bills are mailed on or before January 1. If mailed after January 1, taxpayers have 3 months from the mailing date to file exemption applications.
1	Constable	<b>Post Warrant for Annual Town Meeting</b> Per Town Bylaw, Article 11, Section 3, the Town will post the warrant in each of the post offices in town at least seven days prior to the annual town meeting date.
Second Monday	Town Meeting	<b>Annual Town Meeting</b> Per Town Bylaw, Article 11, Section 1, Hardwick holds its annual town meeting on the second Monday in April.
<hr/> <b>May</b> <hr/>		
1	Taxpayer	<b>Deadline to Pay 4<sup>th</sup> Quarter Tax Bill without Interest</b>



1	Accountant or Treasurer	<b>Notification of Amount of Debt Due in Next Fiscal Year</b> As required by <a href="#">M.G.L. c. 44, § 16</a> , 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. It is important the Assessors have this information to avoid setting a tax rate that will raise insufficient revenue to cover the town's expenditures.
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## June

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1	Town Clerk	<b>Certify Appropriations</b> The Town Clerk should certify appropriations immediately after town meeting so that the Accountant can set up accounts for every department for the next fiscal year.
1	Town Clerk	<b>Update the Local Officials Directory (LOD) in Gateway</b> The Town Clerk annually updates the LOD with the names and email addresses of any new local officials and any changes to position titles.
1	Assessors	<b>Determine Valuation of Other Municipal or District Land</b> In any community where land is owned by another community or district, the Assessors value the land for in-lieu-of-tax payments and send a notice of the new valuation in the year following a revaluation year.
1	BLA	<b>Notification of Proposed EQVs (even-numbered years only)</b>
1	BLA	<b>Notification of State-owned Land Valuations (even-numbered years only)</b>
10	BLA	<b>Conclude Public Hearings on Proposed EQVs (even-numbered years only)</b>
15	BLA	<b>Determine and Certify Pipeline Valuations</b>
15	BLA	<b>Determine and Certify Telephone and Telegraph Company Valuations</b>
15	Assessors	<b>Make Annual Preliminary Tax Commitment</b> The Assessors will make the annual preliminary tax commitment by this date to ensure the ability to mail the bills by July 1. 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.

20	Assessors	<b>Final Date to Make Omitted or Revised Assessments</b> As required by <a href="#">M.G.L. c. 59, §§ 75</a> and <a href="#">76</a> , if a property was inadvertently excluded or mistakenly underassessed on the warrant for property taxes, it is the Assessor's role to fix the mistake and assess the property correctly. The 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	Assessors	<b>Close Overlay Surplus to Surplus Revenue</b> 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.
30	Taxpayer	<b>Deadline to Apply to Have Land Classified as Forest Land</b> Per <a href="#">M.G.L. c. 61, § 2</a> , this is the deadline to apply to the State Forester to have land certified as forest land.
30	Assessors	<b>Submit Annual Report of Omitted or Revised Assessments to BLA</b>
30	Assessors	<b>Deadline to Submit Requests for Current Fiscal Year Reimbursements of Exemptions Granted Under the Various Clauses of <a href="#">M.G.L. c. 59, § 5</a></b> Assessors have until this date to submit a request to MDM for state reimbursement to offset the tax revenue lost from granted statutory exemptions. The state partially reimburses for these via the cherry sheet. If actual tax bills were mailed late, the reimbursement request deadline is extended to August 20.

## Additional Information

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<b>Local Aid Distributions</b>	The State Treasurer's office distributes local aid to communities on the last calendar day of every month. The monthly distribution breakdown by community can be viewed on the Treasurer's <a href="#">website</a> by clicking on the local aid payments report listed under News and Updates.
<b>Due Date Exceptions</b>	According to <a href="#">M.G.L. c. 4, § 9</a> , 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 any actions required by or payments due on a

Saturday in communities that accepted [M.G.L. c. 41, § 110A](#) permitting public offices to remain closed on that day.

The due dates for any local property tax payment, abatement application, or exemption application are 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.

**Agency Fund** – One of the four types of fiduciary funds. It is used to report resources in a purely custodial capacity by a governmental unit. Agency funds generally involve only the receipt, temporary investment, and periodic transfer of money to fulfill legal obligations to individuals, private organizations, or other governments. For example, certain employee payroll withholdings typically accumulate in an agency fund until due and then forwarded to the federal government, health care provider, and so forth.

**Amortization** – The gradual repayment of an obligation over time and in accordance with a predetermined payment schedule.

**Appropriation** – An authorization granted by town meeting to expend money and incur obligations for specific public purposes. An appropriation is usually limited in amount and as to the time period within which it may be expended.

**Assessed Valuation** – A value assigned to real estate or other property by a government as the basis for levying taxes. In Massachusetts, assessed valuation is based on the property's full and fair cash value as set by the Assessors.

**Audit** – An examination of a community's financial systems, procedures, and data by a certified public accountant (independent auditor) resulting in a report on the fairness of financial statements and local compliance with statutes and regulations.

**Audit Management Letter** – An independent auditor's written communication to town officials, separate from the community's audit. It generally identifies deficient areas, if any, and presents recommendations for improving accounting procedures and other internal controls.

**Available Funds** – Balances in the various fund types that represent nonrecurring revenue sources. As a matter of sound practice, they are primarily appropriated to pay unforeseen expenses, capital expenditures, or other one-time costs. Examples of available funds include free cash, stabilization funds, overlay surplus, and retained earnings.

**Bond** – A means to raise money through the issuance of debt. A bond issuer/borrower promises in writing to repay a specified sum of money, alternately referred to as face value, par value or bond principal, to the buyer of the bond

on a specified future date (maturity date), together with periodic interest at a specified rate. The term of a bond is always greater than one year.

**Bond Anticipation Note (BAN)** – Short-term debt instrument used to generate cash for initial project costs with the expectation the debt will be replaced later by permanent bonding. Typically issued for a term of less than one year, BANs may be reissued for up to 10 years, provided principal repayment begins after two years (MGL c. 44 § 17).

**Bond Authorization** – The action of town meeting authorizing the executive branch to raise money through the sale of bonds in a specific amount and for a specific purpose.

**Bond Counsel** – An attorney or law firm engaged to review and submit an opinion on the legal aspects of a municipal bond or note issue.

**Bond Issue** – The actual sale of the entire, or portion of, the bond amount authorized by town meeting.

**Bond Premium** – The difference between the market price of a bond and its face value (when the market price is higher). A premium occurs when the bond's stated interest rate is set higher than its true interest cost (the market rate).

**Bond Rating (Municipal)** – A credit rating assigned to a municipality (bond issuer) to help investors assess its future ability, legal obligation, and willingness to make timely debt service payments.

**Bulk Sale of Tax Receivables** – A community may make bulk assignments of its delinquent property tax receivables and liens to third parties (MGL c. 60 § 2C).

**Capital Asset** – Any tangible property used in the operation of government that is not easily converted into cash and that has an initial useful life extending beyond a single financial reporting period. Capital assets include land and land improvements; infrastructure, such as roads, bridges, water and sewer lines; easements; buildings and building improvements; vehicles, machinery and equipment. Communities typically define capital assets in terms of a minimum useful life and minimum initial cost.

**Capital Improvement Program** – A blueprint for planning a community's capital expenditures

that comprises an annual capital budget and a five-year capital plan. It coordinates community planning, fiscal capacity, and physical development.

**Capital Outlay** – The exchange of one asset (cash) for another (capital asset) with no ultimate effect on net assets. Also known as "pay as you go," it is the appropriation and use of available cash to fund a capital improvement, as opposed to incurring debt to cover the cost.

**Capital Outlay Expenditure Exclusion** – A temporary increase in the tax levy to fund a capital project or acquisition. Such an exclusion requires a two-thirds vote of the selectmen and a majority vote in a town-wide referendum. The exclusion is added to the tax levy only during the year in which the project is being funded and may increase the tax levy above the levy ceiling.

**Cashbook** – A source book of original entry that a treasurer is required to maintain for the purpose of recording municipal receipts, adjustments to balances, deposits to municipal accounts, and warrant disbursements.

**Categorical Grant** – A type of intergovernmental payment that is characterized by extensive restrictions on the uses to which the funds may be "spent" by the town.

**Cherry Sheet** – Named for the cherry-colored paper on which they were originally printed, the cherry sheet provides the official notification to communities and regional school districts of the next fiscal year's state aid and assessments.

**Code of Ethics** – The provisions and requirements of MGL c. 286A pertaining to the standards of behavior and conduct to which all public officials and employees are held.

**Contingent Appropriation** – An appropriation that authorizes spending for a particular purpose only if subsequently approved in a voter referendum. Under MGL c. 59 §21C (m), towns may make appropriations from the tax levy, available funds, or borrowing contingent on the subsequent passage of a Proposition 2½ override or exclusion question for the same purpose. If initially approved at an annual town meeting, voter approval of the contingent appropriation must occur by September 15. Otherwise, the referendum vote must occur within 90 days after the town meeting dissolves. The question may be placed before the voters at

more than one election, but if the appropriation is not approved by the applicable deadline, it is null and void. If contingent appropriations are funded through property taxes, DLS cannot approve the tax rate until the related override or exclusion question is resolved or the deadline passes, whichever occurs first.

**Contingent Debt** – Debt that is not in the first instance payable as a direct obligation of the governmental unit but rather has been guaranteed by a pledge of its faith and credit. The obligation to pay by the guarantor arises upon the default of the borrower. An industrial revenue bond guaranteed by a municipality would constitute contingent debt.

**Contingent Liabilities** – Items that may become liabilities as the result of conditions undetermined at a given date, such as guarantees, pending law suits, judgments under appeal, unsettled disputed claims, unfilled purchase orders, and uncompleted contracts.

**Debt Authorization** – Formal approval by a two-thirds vote of town meeting to incur debt, in accordance with MGL c. 44 §§1, 2, 3, 4a, 6-15.

**Debt Burden** – The amount of debt carried by an issuer usually expressed as a measure of value (e.g., debt as a percentage of assessed value, debt per capita, etc.). Sometimes debt burden refers to debt service costs as a percentage of the total annual budget.

**Debt Exclusion** – An action taken by a community through a referendum vote to raise the funds necessary to pay debt service costs for a particular project from the property tax levy but outside of the limits under Proposition 2½. By approving a debt exclusion, the town calculates its annual levy limit under Proposition 2½, then adds the excluded debt service cost. The amount is added to the levy limit for the life of the debt only and may increase the levy above the levy ceiling.

**Debt Service** – The repayment cost, usually stated in annual terms and based on an amortization schedule, of the principal and interest on any particular bond issue.

**Debt Statement** – A report that local treasurers are required to file with DLS showing the authorized and issued debt, retired debt, and interest paid by a community during the prior fiscal year, as well as authorized but unissued

debt at year-end. Also known as the "Statement of Indebtedness."

**Deputy Collector** – A vendor empowered to take enforcement and collection actions on behalf of a community's collector.

**Encumbrance** – A reservation of funds to cover an obligation arising from a purchase order, contract, or salary commitment chargeable to, but not yet paid from, a specific appropriation account.

**Enterprise Fund** – Authorized by MGL c. 44 §53F½, an enterprise fund is a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. It allows a community to demonstrate to the public the portion of a service's total costs recovered through user charges and the portion subsidized by the tax levy, if any.

**Excess Levy Capacity** – The difference between the levy limit and the amount of real and personal property taxes actually levied in a given year.

**Exemption** – A discharge, established by statute, from the obligation to pay all or a portion of a property tax. The exemption is available to particular categories of property or persons upon the timely submission and approval of an application to the assessors. Properties exempt from taxation include hospitals, schools, houses of worship, and cultural institutions. Persons who may qualify for exemptions include disabled veterans, blind individuals, surviving spouses, and seniors.

**Federal Aid Anticipation Note (FAAN)** – Short-term debt instrument used to generate cash with the expectation that the debt will be paid from anticipated federal aid. As with a note, FAANs are typically issued for a term of less than one year and are full faith and credit obligations.

**Financial Advisor** – An individual or institution that assists municipalities in the issuance of tax exempt bonds and notes. The public finance department of a commercial bank or a non-bank advisor usually provides this service.

**Financial Statement** – A presentation of the town's assets and liabilities as of a particular date, most often after the close of the fiscal year.

**Free Cash** – Remaining, unrestricted funds from operations of the previous fiscal year, including unexpended free cash from the previous year, actual receipts in excess of revenue estimated on the tax recapitulation sheet, and unspent amounts in budget line items. Unpaid property taxes and certain deficits reduce the amount that can be certified as free cash. The calculation of free cash is based on the June 30 balance sheet submitted by the town accountant. Free cash is not available for appropriation until certified by the BOA Director of Accounts.

**General Fund** – The fund used to account for most financial resources and activities governed by the normal town meeting appropriation process.

**General Fund Subsidy** – When the revenue generated by an enterprise fund's user fees is insufficient to cover the cost to provide the service, general fund money is used to close the gap in the form of a subsidy. The subsidy may or may not be recovered by the general fund in subsequent years.

**General Ledger** – The town accountant's record of original entry, which is instrumental in forming an audit trail of all government financial activity.

**General Obligation Bonds** – Bonds issued by a municipality that are backed by the full faith and credit of its taxing authority.

**Governmental External Investment Pool** – An arrangement that commingles money of multiple, legally separate entities and invests in an investment portfolio on the participants' behalf. A pool can be sponsored by an individual government, jointly by multiple governments, or by a nongovernmental entity. An example is the Massachusetts Municipal Depository Trust.

**Grant Anticipation Notes (GAN)** – Short-term, interest-bearing notes issued by a government to raise capital to be repaid by grant proceeds anticipated at a later date. GANs allow the recipient of the grant to begin carrying out the purpose of the grant immediately.

**Land Court** – Established in 1898, the Land Court has the exclusive jurisdiction to foreclose rights of redemption on a property in tax title.

**Levy** – The amount a community raises through the property tax. The levy can be any amount up to the levy limit, which is reestablished every

year in accordance with Proposition 2½ provisions.

**Levy Ceiling** – A levy ceiling is one of two types of levy (tax) restrictions imposed by MGL c. 59 §21C (Proposition 2½). It states that, in any year, the real and personal property taxes imposed may not exceed 2½ percent of the total full and fair cash value of all taxable property. Property taxes levied may exceed this limit only if the community passes a capital exclusion, debt exclusion, or special exclusion.

**Levy Limit** – A levy limit is one of two types of levy (tax) restrictions imposed by MGL c. 59 §21C (Proposition 2½). It states that the real and personal property taxes imposed by a community may only grow each year by 2½ percent of the prior year's levy limit, plus new growth and any overrides or exclusions. The levy limit can exceed the levy ceiling only if the town passes a capital expenditure exclusion, debt exclusion, or special exclusion.

**Lien** – A legal claim against real or personal property to protect the interest of a party (e.g., a town) to whom a debt is owed (e.g., taxes). In the case of real property, the lien in favor of a municipality automatically arises each January 1, but it must be secured through other action.

**Lien Date** – The date a lien arises on real property to protect the municipality's right to payment of taxes. Property tax liens arise by law on the January 1 assessment date. The lien is secured when the collector makes a tax taking and places the property in tax title. Unless the lien is secured, it expires if five years lapse from the January 1 assessment date and the property is transferred in the meantime. Securing a lien on a motor vehicle or boat excise or personal property tax requires civil court action.

**Municipal Bond Insurance** – An insurance policy that guarantees the interest and principal on a bond issue will be paid as scheduled. The municipal bond insurer will pay the debt whether or not the default was caused by an economic crisis or a natural disaster.

**Municipal Charges Lien** – For delinquent water (MGL c. 40 §§ 42A-F), sewer (c. 83 §§ 16A-F), and trash (c. 44 § 28C(f)) charges, a town may lien these amounts on the property tax, provided the enabling legislation is accepted and a certificate of acceptance is on file at the Registry of Deeds. For other unpaid local charges and

fees, a community may adopt MGL c. 40 § 58 separately for each purpose in order to lien each upon the property tax. The lien is created by recording a listing of a particular type of charge or fee (by parcel of land and by name) at the Registry of Deeds.

**New Growth** – The additional tax revenue generated by new construction, renovations and other increases in the property tax base during a calendar year. It does not include value increases caused by normal market forces or revaluations.

**Note** – A short-term loan, typically with a maturity date of a year or less.

**Other Amounts to be Raised** (as detailed on the Tax Recap) – Amounts not appropriated but raised through taxation. Generally, these are locally generated expenditures, as well as state, county, and other special district charges. Because they must be funded in the annual budget, special consideration should be given to them when finalizing budget recommendations to town meeting.

**Overlay** (Also called Overlay Reserve, or Allowance for Abatements and Exemptions) – An account that funds anticipated property tax abatements, exemptions, and uncollected taxes. Additions to the overlay reserve need not be funded by the normal appropriation process but instead raised on the tax rate recapitulation sheet.

**Overlay Deficit** – A deficit that occurs when the abatements and exemptions charged to the overlay during a fiscal year exceed the account balance. Overlay deficits must be provided for in the next fiscal year.

**Overlay Surplus** – Any balance in the overlay account in excess of the amount remaining to be collected or abated can be transferred to this account. Within 10 days of a written request by the select board, the assessors must provide a certification of the excess amount of overlay available to transfer, if any. Overlay surplus may be appropriated for any lawful purpose. At the end of each fiscal year, unused overlay surplus is closed to surplus revenue (i.e., it becomes part of free cash).

**Override** – A vote by a community at an election to permanently increase the levy limit. An override vote may increase the levy limit no

higher than the levy ceiling. The override question on the election ballot must state a purpose for the override and the dollar amount.

**Override Capacity** – The difference between a community's levy ceiling and its levy limit. It is the maximum amount by which a community may override its levy limit.

**Preliminary Tax** – The tax bill for the first two quarters of the fiscal year. The tax bill is sent by July 1 and can generally be no greater than 50% of the amount due in the previous fiscal year.

**Private-purpose Trust Funds** – A fiduciary trust fund type used to report all trust arrangements (other than those properly reported in pension trust funds or investment trust funds) under which the principal and income benefits individuals, private organizations, or other governments. An example is a scholarship fund.

**Proposition 2½** – A state law enacted in 1980, Proposition 2½ regulates local property tax administration and limits the amount of revenue a town may raise from local property taxes each year to fund municipal operations.

**Qualified Bond** – A program unique to Massachusetts for municipalities with marginal credit ratings, in which the State Treasurer pays the debt service directly from a community's local aid, thereby reinforcing the security of the bond and improving its marketability. The Municipal Finance Oversight Board authorizes issuance of these bonds under c. 44A.

**Refunding of Debt** – Transaction whereby one bond issue is redeemed and replaced by a new bond issue under conditions generally more favorable to the issuer.

**Revenue Anticipation Borrowing** – Towns may issue temporary notes in anticipation of taxes (TANs) or other revenue (RANs). The amount of this type of borrowing is limited to the total of the prior year's tax levy, the net amount collected in motor vehicle and trailer excise in the prior year, and payments made by the state in lieu of taxes in the prior year. According to MGL c. 44 § 4, cities, towns, and districts may borrow for up to one year in anticipation of such revenue.

**Revenue Anticipation Note (RAN)** – A short-term loan issued to be paid off by revenues,

such as tax collections and state aid. RANs are full faith and credit obligations.

**Revolving Fund** – A fund that allows a community to raise revenues from a specific service and use those revenues without appropriation to support the service.

**Schedule A** – A statement of revenues, expenditures, and other financing sources, uses, changes in fund balance, and certain balance sheet account information prepared by the town accountant at the end of the fiscal year.

**Special Revenue Fund** – Funds, established by statute only, containing revenues that are earmarked for and restricted to expenditures for specific purposes. Special revenue funds include receipts reserved for appropriation, revolving funds, grants from governmental entities, and gifts from private individuals or organizations.

**State Aid Anticipation Note (SAAN)** – A short-term loan issued in anticipation of a state grant or aid (MGL c. 44 §6A).

**State House Notes** – Debt instruments for municipalities certified by the Director of Accounts. The notes are particularly attractive to smaller communities because certification fees are low, they require neither full disclosure nor an official statement, and they are issued in a short period of time.

**Surety Bond** – A performance bond that protects a town against financial loss arising from a breach of public trust by an employee who collects money on its behalf.

**Tax Anticipation Notes (TAN)** – A short-term note issued to provide cash to cover operating expenses in anticipation of tax proceeds.

**Tax Possession** – Once a tax title has been foreclosed in Land Court, the treasurer records the decree at the Registry of Deeds as a municipally owned property, which thus becomes a tax possession. For a property issued a Land of Low Value affidavit by DLS, the town must hold an auction prior to it becoming a tax possession.

**Tax Rate** – The amount of property tax stated in terms of a unit of the municipal tax base; for example, \$14.80 per \$1,000 of assessed valuation of taxable real and personal property.



**Tax Rate Recapitulation Sheet (the Tax Recap)** – The document a town submits to DLS to set a property tax rate, the recap shows all estimated revenues and actual appropriations that affect the property tax rate.

**Tax Title Redemption** – The payment by a property owner of all overdue taxes, fees, charges, other costs, and interest on real property that the town had placed in tax title. The taxpayer's right to redeem terminates when the treasurer receives a Land Court decree or land of low value affidavit, records the affidavit, and holds an auction.

**Temporary Debt** – Borrowing by a community in the form of notes and for a term of one year or less.

**Trust Fund** – In general, a fund for money donated or transferred to the town with specific instructions on its use. As custodian of trust funds, the treasurer invests and expends such funds as stipulated by the trust agreements, as directed by the commissioners of the trust funds, or by town meeting. Both principal and interest may be used if the trust is established as an expendable trust. For nonexpendable trust funds, only interest (not principal) may be expended as directed.

**Undesignated Fund Balance** – Monies in the various government funds as of June 30 that are neither encumbered nor reserved and therefore available for expenditure once certified as part of free cash