

# TOWN OF HOLBROOK

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FINANCIAL POLICIES | A COMMUNITY COMPACT CABINET INITIATIVE

OCTOBER 2016



# DLS

DIVISION OF LOCAL SERVICES  
MA DEPARTMENT OF REVENUE

PREPARED BY:

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Senior Deputy Commissioner

October 17, 2016

Timothy Gordon  
Town Administrator  
50 North Franklin Street  
Holbrook, MA 02343

Dear Mr. Gordon,

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

Sincerely,

Sean R. Cronin  
Senior Deputy Commissioner



## OVERVIEW

At the request of the board of selectmen, the Division of Local Services has created a set of financial policies for the Town of Holbrook. This project was initiated through the Community Compact Cabinet ([www.mass.gov/CCC](http://www.mass.gov/CCC)), whose goal is to encourage best practices that promote efficiency, accountability, and transparency in municipal government. The adoption of formal financial policies provides instructive guidance and promotes consistency as local officials plan, direct, monitor, and protect municipal assets and resources.

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

## BACKGROUND

The Town of Holbrook (pop. 10,952) is a small, predominantly residential community located south of Boston. It operates under a board of selectmen-representative town meeting form of government. The select board appoints a town administrator, who supervises all department heads and serves as a liaison to other separately elected boards and officials who otherwise do not report to selectmen. These include, among others, the board of assessors, health, library trustees, moderator, planning, school, town clerk, and treasurer/collector.

Because of Holbrook's decentralized organizational structure, the town administrator has limited involvement in the town's overall financial management. The effect of this was magnified during the recent FY2016 property tax rate setting process when the officials failed to provide for a \$723,800 debt service payment, which required the town to seek special legislation to recertify the property tax rate ([Chapter 9 of the Acts of 2016](#)). In the wake of this omission, and because of limited coordination and accountability among officials, the community sought guidance through the Community Compact Cabinet initiative to review its financial management structure (which we offer as a separate document) and assistance in developing financial policies.

Over the years, Holbrook has developed various accounting and administrative policies. However, they are spread among different boards and offices, and while a couple are written, most are informal and a matter of past practice. More recently, the town's outside auditor, Melanson Heath & Company, commented in its management letter on the need for Holbrook to review and update

its policies and procedures. Their primary concern is that many of them have not been reviewed or updated in recent years to reflect current practice.

The policies contained in the manual that follows establish a framework that includes a stated purpose, applicability, responsible parties, and legal or other references. Each policy should be adopted by the town's policymakers, including the select board, finance committee, and school committee to demonstrate support and to set expectations for departments to follow. As living documents, we also suggest that the policies be regularly reviewed to ensure they are current and accurately reflect existing practice. Town officials should further set a goal to add new needed policies annually.

In each case, the policies presented here contain specific provisions that local leaders need to consider. The brackets within the draft policy signify a decision point for local officials with suggested language or metric based on best practice. For example, "The town will maintain a reserve amount at [20] percent of its total budget." Our policies also reflect recent changes due to [Chapter 218 of the Acts of 2016, An Act Modernizing Municipal Finance and Government](#). Among the Act's provisions, many of which become effective on November 7, 2016, it eliminates or updates obsolete laws, promotes local independence, streamlines state oversight, and provides municipalities with greater flexibility. Informational Guideline Releases (IGRs) referenced within several of the policies will need to be updated by the Division of Local Services (DLS) to reflect the new law as they are released.

# TOWN OF HOLBROOK

## FINANCIAL POLICIES MANUAL







## INTRODUCTION

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

Through these policies the Town commits itself to the following objectives:

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



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# ANTIFRAUD

## PURPOSE

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

## APPLICABILITY

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

## POLICY

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

### A. Definitions

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

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

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

Fraud or other irregularity refers but is not limited to:

- Any dishonest or fraudulent act
- Forgery or alteration of any document or account
- Forgery or alteration of a check, bank draft, or any other financial document
- Misappropriation of funds, securities, supplies, or other assets
- Impropriety in the handling or reporting of money or financial transactions
- Profiteering as a result of insider knowledge of Town activities
- Disclosing confidential or proprietary information to outside parties
- Accepting or seeking anything of material value from consultants, contractors, vendors, or persons providing services or materials to the Town
- Destruction, removal or inappropriate use of records, furniture, fixtures, and equipment
- Any claim for reimbursement of expenses not made for the exclusive benefit of the Town

- Any computer-related activity involving the alteration, destruction, forgery, or manipulation of data for fraudulent purposes
- Any omissions and misrepresentations made in bond offering documents, presentations to rating agencies, and annual financial reports

#### B. Antifraud Responsibilities

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

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

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

#### C. Disclosure

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

#### **PROCEDURES**

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

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

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

#### **REFERENCES**

[M.G.L. c. 149 §185](#)

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

#### **EFFECTIVE DATE**

This policy was adopted on [ ]

# CASH FLOW

## **PURPOSE**

To determine whether sufficient funds are available to cover current obligations, any surplus can be invested, or shortfall exists requiring temporary borrowing. An initial cash flow budget is developed prior to the beginning of a fiscal year and updated regularly throughout the year.

The Division of Local Services recommends maintaining a cash flow budget to forecast investment opportunities or borrowing needs. Major revenue sources like property taxes and state aid are generally received in large, lump sums at specific points in the fiscal year and do not necessarily coincide with expense patterns, which often results in cash surpluses or shortfalls during certain periods of the year.

The Government Finance Officers Association also recommends cash flow forecasting as a best practice. When used as a cash management guide, it can lead to the optimized use of funds as well as insure sufficient liquidity.

## **APPLICABILITY**

This policy applies to the Town Administrator, Treasurer/Collector and members of the Financial Team.

## **POLICY**

The Treasurer/Collector will develop a cash flow forecast for the upcoming fiscal year after approval of the annual budget and before July 1 each year. The cash flow forecast will include all major, historical, revenue and expenditure types and their expected timing throughout the fiscal year. As the year unfolds, forecast estimates will be adjusted to reflect actual monthly activity. The Treasurer/Collector will submit the initial cash flow forecast and subsequent monthly updated cash flow reports to the Town Administrator and the Financial Management Team monthly for review and discussion.

## **REFERENCES**

[Cash Flow Forecast in Treasury Operations](#), Government Finance Officers Association Best Practice, February 2011.

## **EFFECTIVE DATE**

This policy was adopted on [    ].

# CREDIT CARD USAGE

## PURPOSE

To establish standards for proper credit card use when conducting Town business.

## APPLICABILITY

There are two credit cards in use in the Town of Holbrook, one on an account opened and controlled by the Treasurer/Collector and the other on an account opened and controlled by the School Superintendent. The School Committee has a separate, written policy governing purchasing procedures and using the Superintendent's credit card.

This policy pertains to the appropriate usage of the Treasurer/Collector's credit card. Broadly, it applies to the related job responsibilities of the Treasurer/Collector and Town Accountant and to all Town department heads, officials, and employees with spending authority (referred to below as "employees"). Narrowly, it also applies the School Business Manager's reimbursement submission requirements.

## POLICY

### A. Allowable Use

Town employees may request to make a purchase using the Treasurer/Collector's credit card on a limited, exceptional basis. The credit card is intended for transactions that are only possible by, or are most cost-effective by, credit card. Use of the Treasurer/Collector's credit card to make payments shall not be a routine alternative to payment under the normal warrant approval procedures governed by the Town's Disbursements policy.

The following are prohibited uses of the credit card: personal expenses, cash advances, gift cards, use for paying other invoices, alcoholic beverages, tobacco and services (e.g., consultant fees, repair work, temporary help, etc.) with the exception of payment for trainings or seminars.

Employees requesting a credit card purchase must submit a written request and obtain the authorizing signature of the department head or official attesting to the purchase being made within the proper appropriation. Because payment in this circumstance is effectively made in advance of a warrant, the request also requires the signature of the Town Accountant, permitting the exercise of that position's statutory duty to verify that the purchase is consistent with the appropriation's intent, sufficient funds are available to cover the cost, and no fraud is evident.

The purchaser shall inform the vendor that the Town is a tax exempt entity and instruct the vendor to charge no taxes on the purchase.

### B. Administration

The Treasurer/Collector is responsible for administration of the credit card, including but not limited to: selecting the card issuer, setting the total purchase limit, ensuring proper use, paying the credit card bill timely, and disputing any false charges. The credit card issuer's terms must not include any incentive programs.

All purchases are done in the Treasurer/Collector's presence on the Treasurer/Collector's computer. The Treasurer/Collector will keep a log of credit card purchases, and employees may be



held personally liable for any purchases appearing on the credit card bill that do not appear on the credit card log.

#### C. Warrant Process

Treasurer/Collector office staff will provide two copies of the credit card statement to the purchasing employee. The employee will retain one copy and submit one to the Town Accountant along with a detailed vendor receipt as part of the accounts payable warrant submissions. When the check for the purchase is printed in the Treasurer/Collector's office, staff there will mail it to the credit card issuer.

All items purchased with the credit card must be received by the department prior to the end of the credit card's monthly billing cycle and never delivered later than June 30th of any fiscal year for payments to be made for that fiscal year. No backordering of merchandise is allowed.

#### D. Exceptions

Exceptions to this policy must be approved by the Town Administrator, Treasurer/Collector, and Town Accountant in advance.

#### E. Audit

The Town Accountant may conduct random audits of the credit card activity, receipt retention, and statements. The activity also is subject to review by the Town's independent auditing firm.

### **PROCEDURES**

In accordance with this policy, the Treasurer/Collector, as administrator for the credit card, will create a detailed set of procedures for its use, stipulating each step in the process and all required documentation. The State Comptroller's Office has good guidance for this (see References below). Important details to include are:

- Step-by-step description of the purchase, approval, and reconciliation processes
- Guidelines for appropriate use and employee discipline for misuse
- Dollar limits per transaction and per month
- Description of required documents and their necessary details
- Procedures for dispute resolution and for lost/stolen cards
- Segregation of duties
- Audits

### **REFERENCES**

New Hampshire Municipal Association Guidance: [Credit Card and Purchasing Card Policies](#)

Massachusetts Comptroller's Office Policy: [Commonwealth Procurement Card Program](#)

### **EFFECTIVE DATE**

This policy was adopted on [ ]

# DEBT MANAGEMENT

## PURPOSE

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

## APPLICABILITY

This policy applies to the Town Administrator, School Committee, and Board of Selectmen in their budget decision making and in the Treasurer/Collector's debt reporting. It also applies to the Treasurer/Collector's statutory responsibilities associated with debt management and to the Town Accountant's budget analysis 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. The Town will issue and manage debt obligations in such a manner as to obtain the best long-term financial advantage and will limit the amount of debt to minimize the impact on taxpayers. Debt obligations, which include general obligation bonds, revenue bonds, bond anticipation notes, lease/purchase agreements, and any other debt obligations permitted to be issued under Massachusetts law, shall only be issued to construct, reconstruct or purchase capital assets that cannot be acquired with current revenues.

### A. Debt Financing

In financing with debt, the Town will:

1. Issue long-term debt only for objects or purposes authorized by state law 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 \$25,000 and that have useful lifespans of at least five years or whose lifespans will be prolonged by at least five years.
4. Refrain from using debt to fund any recurring purpose, such as current operating and maintenance expenditures.
5. Use revenue bonds, special assessment bonds, or other types of self-supporting bonds instead of general obligation bonds whenever possible.
6. For the enterprise funds, set user fees to cover capital costs to the extent practicable.

### B. Debt Limits

The Town will adhere to these debt parameters:

1. Total debt service, including debt exclusions and self-supporting debt, will be limited to [10] percent of general fund revenues, with a target balance of [5 - 7] percent.
2. By statute, a community's debt limit equals 5 percent of its most recent equalized valuations (EQV).
3. Additional debt parameters shall be based on the annual calculations of the following ratios:
  - Debt per capita

- Debt to personal income
- Debt to total assessed value of property within the Town

C. Structure and Term of Debt

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

1. The Town will attempt to maintain a long-term debt schedule such that at least 50 percent of outstanding principal will be paid within ten 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 thirty years.
3. Except for major buildings, water and sewer projects, and land acquisitions, the Town will limit bond maturities to no more than [10] years.
4. The Town will work closely with its financial advisor to follow federal regulations and set time frames for spending borrowed funds to avoid committing arbitrage, paying rebates, fines and penalties to the federal government, and jeopardizing the debt issuance’s tax-exempt status.

D. Protection of Bond Rating

To protect its bond rating, the Town will:

1. Maintain good communications with bond rating agencies, bond counsel, banks, financial advisors, and others involved in debt issuance and management.
2. Follow a policy of full disclosure on every financial report and bond prospectus.
3. Limit annual increases in debt service to levels that will not materially jeopardize the Town’s credit rating.

E. Reporting

- The Treasurer/Collector will report to the Town Administrator and Board of Selectmen on the Town’s debt status at least annually.
- The Town Accountant will include a statement of debt in the annual report of appropriations, receipts, and expenditures.

**REFERENCES**

[M.G.L. c. 44 §4](#)

[M.G.L. c. 44 §6](#)

[M.G.L. c. 44 §6A](#)

[M.G.L. c 44 §7](#)

[M.G.L. c 44 §8](#)

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

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

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

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

**EFFECTIVE DATE**

This policy was adopted on [ ]

## DISBURSEMENTS

### PURPOSE

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

### APPLICABILITY

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

### POLICY

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

#### A. Responsibilities

Departments must:

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

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

Town Accountant:

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

Selectmen:

- Review each warrant submitted for approval
- May examine payroll, invoices, and backup documentation
- May direct inquiries to the Town Accountant on particular submissions
- Approve warrant by majority of its members or one member is delegated approval authority, by vote of the board, and must report the action taken to the board at its next meeting
- Cannot assign the warrant approval responsibility to the Town Administrator

Treasurer/Collector:

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

B. Petty Cash

No department may have a petty cash account. This is to ensure that the Town gets the most for its revenues, procurement laws are followed, and issues of incurring expenses in excess of appropriation are avoided.

C. Unpaid Bills of the Prior Year

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

D. Emergency Disbursement

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

E. Audit

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

**REFERENCES**

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

Town Personnel Bylaw

Collective Bargaining Agreements

**EFFECTIVE DATE**

This policy was adopted on [    ].

## FINANCIAL MANAGEMENT TEAM

### PURPOSE

To establish a formal financial management team that maximizes effectiveness of financial practices by promoting optimal coordination of interdepartmental activities and long-term planning. 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. Regular team meetings also serve to enhance the Town Administrator's ongoing insight into progress on fiscal objectives and provide a valuable analytical resource for budget decision making. Another important benefit of the financial management team approach is institutional continuity during times of turnover in financial offices.

### APPLICABILITY

This policy applies to personnel responsible for financial matters.

### POLICY

The Town Administrator will regularly convene a meeting of the Town Accountant, Treasurer/Collector, and Principal Assessor that is hereby referred to as the financial management team. Financial team meetings will be scheduled monthly at a predetermined time and more frequently when necessary. The Town Administrator will serve as chair, distribute agendas in advance, and may invite other department personnel when appropriate.

Agenda topics will include:

- a. Reviewing budget preparation, including financial forecasting and capital funding analysis
- b. Monitoring monthly revenue and expenditure reports and analyzing cash flow
- c. Developing corrective action plans to management letter citations by the independent auditor
- d. Reviewing internal controls and proposing internal audits
- e. Analyzing collective bargaining negotiations
- f. Coordinating submissions to the Division of Local Services
- g. Assessing other special projects as assigned by the Town Administrator, Select board or others

### REFERENCES

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

Standard & Poor's article: [The Top 10 Management Characteristics of Highly Rated U.S. Public Finance Issuers](#), 2012

### EFFECTIVE DATE

This policy was adopted on [    ].

# FINANCIAL RESERVES

## PURPOSE

To establish prudent and consistent practices for appropriating to and expending reserve funds. Reserves provide resources that help the municipality to stabilize finances and to sustain operations during difficult economic periods. With well-planned sustainability, the Town can use its reserves to finance emergencies and other unforeseen needs, to hold money for specific future purposes, or in limited instances, to serve as revenue sources for the annual budget. Reserve balances and policies can also positively impact the Town's credit rating and consequently its long-term cost to fund major projects.

## APPLICABILITY

This policy pertains to short- and long-range budget decision making and applies to the Selectmen, Finance Committee, School Committee, and Town Administrator in those duties.

## POLICY

Town officials establish the goal to maintain overall reserve levels of [10] percent of the Town's annual budget. The Town 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. Adherence to this policy will help the Town withstand periods of decreased revenues and control spending during periods of increased revenues. There are multiple types of reserves, including free cash, stabilization funds, retained earnings, and overlay surplus.

### A. Free Cash

The Division of Local Services (DLS) must certify a community'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." To generate free cash consistently year to year, the Town must adopt balanced budgets based on conservative revenue projections, and department heads must carefully manage their operations and appropriations to produce excess income and budget turn backs.

Budget decision makers will avoid fully depleting the Town's free cash in any year by reserving \$100,000 or 25 percent of certified free cash, whichever is greater. This allows the succeeding year's free cash to begin with a positive balance. Funds available after the free cash reservation shall first be applied to prior fiscal year deficits and then appropriated to reserves and liabilities in the following manner: 60 percent to the general stabilization fund, 30 percent to the capital improvement stabilization fund, and 10 percent to the other postemployment benefits trust fund.

### B. Stabilization Funds

A stabilization fund is a reserve account allowed by state law to set aside monies to be available for future spending purposes, including emergencies or capital expenditures, although it may be appropriated for any lawful purpose. Prior to the adoption of this policy, the Town established and appropriated to a general stabilization fund and a capital improvement stabilization fund. The Town will make every effort to appropriate annually into these funds, and no more than one-quarter of the amount available in either stabilization fund shall be appropriated in any one fiscal year.

General Stabilization: Withdrawals from general stabilization are for one-time expenditures, emergencies, or other unanticipated expenses, and not for supporting the annual operating budget.

Capital Improvement Stabilization: Withdrawals from the capital improvement stabilization may only be used for funding capital projects and improvements as approved by the capital improvement planning committee, which may set limits on the total amount appropriated in any one fiscal year. Paying outright for moderate-range capital expenditures preserves debt capacity for major, higher-dollar purchases or projects balances debt with pay-as-you-go practices and protects against unforeseen costs.

### C. Retained Earnings

The Town has three enterprise funds: Sewer, Water, and Solid Waste. By accounting for the revenues and expenditures of each of these operations in individual funds segregated from the general fund, the Town can identify their true service delivery costs—direct, indirect, and capital—and to recover them through user fees. Under this accounting, the Town may reserve each operation’s generated surplus (referred to as retained earnings or, alternatively, as net assets unrestricted).

For each of the three enterprise funds, the Town will maintain a reserve amount at [20] 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 revenues resulting from property tax abatements and exemptions. The Town will prudently manage the overlay to avoid the need to raise overlay deficits in the tax levy.

At the conclusion of each fiscal year, the Board of Assessors shall submit to the Town Accountant a report on the overlay reserve that includes the gross current balance, potential abatement liabilities, and any transfers to surplus. If the overlay balance exceeds the amount of potential liabilities, the Selectmen may request the Board to vote to declare the balances surplus and available for one-time expenditures.

## 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 Informational Guideline Releases: [Enterprise Funds](#) [Overlay and Overlay Surplus](#)  
[Creation of Multiple Stabilization Funds](#)

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

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

## EFFECTIVE DATE

This policy was adopted on [ ].



## INVESTMENTS

### PURPOSE

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

### APPLICABILITY

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

### POLICY

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

Through this policy, the Town accepts the allowable investment instruments, diversification principles, and investment restrictions regarding short- and long-term funds allowed by state statutes, updated by [Chapter 218 of the Acts of 2016, and](#) as published by the Massachusetts Collectors and Treasurers Association (MCTA). The latest MCTA guidance is included in the Appendix of this policy.

#### A. Investment Objectives

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

- Investments shall be undertaken in a manner that seeks to ensure the preservation of capital through the mitigation of credit and interest rate risks. The Treasurer/Collector will mitigate these risks by prudently selecting and diversifying investment instruments and depository choices.
- The Treasurer/Collector shall ensure the overall investment portfolio remains sufficiently liquid to meet all reasonably anticipated operating requirements. Since all possible cash demands cannot be anticipated, the Treasurer/Collector shall carry out investment activities in a manner that provides for meeting unusual cash demands without liquidating investments and thereby potentially forfeiting accrued interest earnings and losing principal.

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

## B. Risk Tolerance

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

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

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

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

## C. Ethics

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

#### D. Relationship with Financial Institutions

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

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

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

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

#### E. Reporting Requirements

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

The investment activity report should include the following information at a minimum:

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

#### **REFERENCES**

[M.G.L. c. 44, §54, 55, 55A, 55B](#)

[M.G.L. c. 29 §38A](#)

[M.G.L. c. 167 §15A](#)

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

MCTA Investment Policy Statements (Appendix)

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

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

#### **EFFECTIVE DATE**

This policy was adopted on [ ]

## PROCUREMENT – CHAPTER 30B

### PURPOSE

To establish standards and practices for purchasing materials, supplies and services consistent with or exceeding state law.

### APPLICABILITY

The policy pertains to the Town's purchasing processes governed under the provisions of the state's Uniform Procurement Act. The policy applies to the Town Administrator, Town Counsel and Town Accountant as well as all Town employees, officials, and others who are involved with any procurement.

### POLICY

The Town seeks to obtain goods and services that will reliably perform their function at the lowest possible cost by optimizing the value received for each tax dollar expended through strict adherence to competitive quotation and bidding requirements and by participation in state and regional cooperative purchasing agreements.

#### A. Responsibilities

The Town Administrator, as chief procurement officer, oversees all purchasing for the town, except for the schools, which is coordinated through the School Business Manager. Their responsibilities include, but are not limited to, reviewing quotes, preparing bid documents, advertising bids and proposals, and making sure all requirements have been met. The Town Accountant must verify that funds are available before a bid or proposal is advertised and prior to a contract being approved. Town Counsel also reviews all contracts for legal form and terms. Town departments (including the schools) are responsible for maintaining contracts and bid/quote-related procurement records, which submits executed contracts and solicitation documentation to the Town Accountant when submitting payment vouchers.

#### B. Quotation and Bidding Requirements

To comply with the state's [Uniform Procurement Act](#), vendors under State Contract or through regional cooperative purchasing agreements may be selected. Otherwise, purchases of materials, supplies and services ([with certain exceptions](#)) must observe or exceed the following guidance:

- Under \$10,000 should use sound business practices
- Between \$10,000 and \$50,000 requires solicitation of three written quotes for contracts
- Greater than \$50,000 requires competitive sealed bids or proposals for contracts

#### C. Multiple Small Procurements

When purchasing materials and supplies, each department must review its full fiscal year operational needs. It is contrary to Town policy for any department to "split" several small purchases of the same class/category to avoid stated thresholds.

#### D. Sole Source Procurements

Competitive bids may be waived in instances where there is only one vendor who can provide the relevant equipment, materials or services. In the instance of sole source procurement, supporting

documentation must be submitted to the Town Administrator or School Business Manager for preapproval.

E. Audit

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

**REFERENCES**

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

**EFFECTIVE DATE**

This policy was adopted on [    ]

## PROCUREMENT -- CONFLICT OF INTEREST

### PURPOSE

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

### APPLICABILITY

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

### POLICY

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

To comply with the state's [Uniform Procurement Act](#), any purchase for supplies or services ([with certain exceptions](#)) costing more than \$10,000 requires solicitation of three quotes for contracts and those over \$50,000 require competitive sealed bids or proposals for contracts.

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

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

Departments must:

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

The Town Administrator / School Business Manager must:

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

## B. Conflict of Interest in Procurement

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

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

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

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

Any persons with conflicts as described above should 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. However, if the municipal employee or officer makes full disclosure of a potential conflict of interest and receives in advance a written determination made by the Massachusetts Ethics Commission that the interest is not so substantial as to be deemed likely to affect the integrity of the services which the municipality may expect from the official, then he/she may participate in the matter.

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

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

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

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

Departments must:

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

The Town Administrator / School Business Manager must:

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

### C. Audit

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

### **REFERENCES**

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

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

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

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

### **EFFECTIVE DATE**

This policy was adopted on [ ]



## RECONCILIATIONS

### PURPOSE

To ensure transactions are in balance, mitigate fraud, and safeguard general ledger accuracy, financial officers must conduct regular reconciliations of their accounting records, and these must be reconciled to the general ledger. Although each financial officer is responsible for maintaining independent records of his or her office's transactions, they are also collectively accountable for the overall accuracy of the Town's financial records. Failure to reconcile cash, receivables, and withholdings hampers the Town's ability to produce reliable reports, close its books, make timely submissions to the Division of Local Services, and complete audits. In addition, unresolved variances reduce the amount of certified free cash and may result in significant deficiency findings by the independent auditor.

### APPLICABILITY

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

### POLICY

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

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

### PROCEDURES

#### A. Cashbook Reconciliation

The Treasurer/Collector is the custodian of the Town's cash, tax titles, and tax possessions. To ensure an accurate accounting of all revenue activity, the Treasurer/Collector will maintain a cashbook that reflects real-time, accurate information for all cash and assets. The Treasurer/Collector will make certain that all cash receipts, disbursements, transfers, and interest are recorded in the cashbook within two business days of each transaction and will reconcile cashbook accounts to their corresponding bank accounts within five days of receiving bank statements. These shall include zero-balance vendor and payroll bank accounts, whose balances must equal the outstanding checks at the end of any month.

Reconciling items, including deposits in transit, bounced and voided checks, and discrepancies between the Treasurer/Collector's cashbook and financial institutions, will be identified and corrected when appropriate. The Treasurer/Collector will then forward a summary of the reconciled cashbook balances and, when needed, an additional Schedule of Receipts for any adjustments made to the Town Accountant.

#### B. Payroll Withholdings Reconciliation

Payroll withholdings include federal and state taxes, child support and other wage assignments for legal obligations, deferred compensation, insurances, association dues, and other employer-sponsored options, which are all maintained in separate accounts. The Treasurer/Collector will ensure that all employee and employer contribution portions of withholdings are recorded and

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

#### C. Accounts Receivable Reconciliation

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

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

Whenever these records do not agree, the record-keeper must determine the discrepancy by:

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

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

#### D. General Ledger Reconciliation

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

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

- If the total amount of revenue reported in the cashbook does not agree with the amount recorded in the ledger for that month, the Treasurer/Collector must verify that the monthly Treasurer’s Schedule of Receipts agrees by detailed amount and classification with the cashbook and correct any mistakes.

- Compare the total amount of warrants paid during the month as recorded in the cashbook with the total recorded in the ledger for the same period. The last warrant paid must be the last one recorded; otherwise, a timing problem will create a discrepancy.
- If the records still do not agree, the Treasurer/Collector and Town Accountant must go through each entry to the ledger until they determine the reason for variance.

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

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

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

The Town Accountant's receivable accounts in the general ledger should reflect the transactions provided by each particular record-keeper. Therefore, the above steps must resolve any discrepancies between the receivable control and the ledger. If they do not, the record-keeper and Town Accountant must go through each ledger entry until they determine the reason for variance.

#### E. Time frames and Documentation

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

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

#### F. Audit

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

#### **REFERENCES**

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

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

#### **EFFECTIVE DATE**

This policy was adopted on [ ].

# REVENUE TURNOVER

## PURPOSE

To safeguard Town assets and maximize cash flow, the Town establishes this policy that provides guidelines for departments to turn over receipts to the Treasurer/Collector. Included are details of internal controls designed to provide reasonable assurance that the Town's revenues are timely, properly 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, licenses, permits, fees, federal and state government receipts, and charges. It applies to all individuals within each department assigned responsibility for handling payments.

## POLICY

Each department that receives payments is responsible for implementing and monitoring internal controls designed to ensure that all receipts are recorded accurately, kept secure from loss or theft, and turned over timely to the Treasurer/Collector. Each department must turn over weekly or whenever collections total \$500 or more. All current year turnovers must be completed at fiscal year-end by no later than the date established by the Treasurer/Collector.

## PROCEDURES

### A. Receiving Payments

Using prenumbered receipt books supplied by the Treasurer/Collector, department staff must issue a receipt for every collection received, even when the payer attempts to refuse it. Treasurer/Collector staff need only issue receipts for cash payments, and all departments must identify cash payments as such in their receipt books. All staff must immediately endorse each check "For Deposit Only" by handwriting or a stamp. Every collecting department shall secure all payments in a locked cashbox or safe until completing a turnover to the Treasurer/Collector.

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

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

### B. Turning Over Revenues

On a weekly basis or as soon as receipts total \$500 or more, departmental staff will create a turnover package by filling out a standard Schedule of Departmental Payments (i.e., the turnover form) in triplicate with department head signature. The staff member shall ensure the receipts being turned over match up with the turnover form and with the numbered receipt book.

When the Treasurer/Collector's office has accepted the turnover, the department employee will receive two copies of the turnover form signed by Treasurer/Collector staff member. The department employee will retain one turnover copy on file and is responsible for delivering the

other to the Town Accountant. The Town Accountant shall refuse to accept any turnover form that does not have the signature of a Treasurer/Collector staff member.

Each department should compare its turnover copies with the Town Accountant's monthly revenue reports to verify that the receipts turned over are accurately recorded in the appropriate general ledger accounts and report any discrepancies to the Town Accountant.

#### C. Receiving Turnovers

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

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

The Treasurer will conduct monthly internal and external cashbook reconciliations in accordance with the Town's Reconciliations policy.

#### D. Audit

All cash management activity is subject to review by the Town Accountant and the independent auditor.

#### **REFERENCES**

[M.G.L. c. 41, §35](#)

[M.G.L. c. 41, §57](#)

[M.G.L. c. 60, §57A](#)

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

#### **EFFECTIVE DATE**

This policy was adopted on [ ].

# TAX ENFORCEMENT

## PURPOSE

To provide guidance for equitably enforcing tax obligations and to set expectations for both the Town and taxpayers by clearly defining 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 Holbrook and its residents that property taxes be paid when due. Town and School budgets are set in anticipation of the collection of taxes, and taxes not paid by some property owners shift the cost burden onto others. The Town recognizes that individuals may go through periods of financial difficulty, but any taxpayer who becomes delinquent will be encouraged to find alternative resources to pay in full as soon as possible.

## APPLICABILITY

The implementation of this policy applies to the duties of the Treasurer/Collector, including services contracted through the Town's tax title attorney. Tax enforcement applies to all owners of real or personal property in the Town of Holbrook whose taxes are not exempt.

## POLICY

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

### A. Demands

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

### B. Tax Taking

The Treasurer/Collector will begin the tax taking process within 60 days of the demand notice. State law allows the process to begin as soon as 14 days after the demand, but, in every case, the Treasurer/Collector must complete the takings within 3½ years from the end of the fiscal year for which the taxes were assessed to secure, or perfect, the tax liens.

The Treasurer/Collector will send at least one enforcement letter to delinquent property owners as a courtesy to potentially avoid a tax taking advertisement. If this does not result in full remittance by September 1<sup>st</sup>, the Treasurer/Collector will publish a Notice of Tax Taking in a local newspaper and post the notice in two or more convenient, public places. From this point onward only cash, certified check, or cashier's check are acceptable forms of payment.

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

### C. Subsequent Taxes

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

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

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

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

### E. Payment Plans

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

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

### F. Redemption or Foreclosure

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

[On quarterly basis], the Treasurer/Collector shall identify all tax title properties older than 180 days to initiate foreclosure procedures. The Treasurer/Collector is responsible for completing foreclosures for any properties below the "Land of Low Value" threshold, which is annually updated each spring by the Division of Local Services. The Treasurer/Collector shall thoroughly review all other tax title properties before referring them the Tax Title Attorney for foreclosure processing in Land Court, beginning with those having the largest dollar value of taxes owed.

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

collection enforcement letters to the taxpayers telling them of the importance of redeeming the property and warning of potential foreclosure action.

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

**REFERENCES**

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

DLS Best Practice: [Enforcing Collections](#)  
DLS Information Guideline Release on Land of Low Value Foreclosure Valuation Limit updated annually  
Town of Holbrook Bylaws: Sec. 1-10, Unpaid Taxes by Licensees      Sec. 2-8, Tax Title Auction

**EFFECTIVE DATE**

This policy was adopted on [   ]



# TRAVEL REIMBURSEMENT

## PURPOSE

To establish rules governing reimbursement to Town officials and employees for necessary travel expenses incurred in performing official duties. By properly monitoring and controlling travel costs, the Town can mitigate opportunities for fraud, waste, and abuse. This policy 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 Town and School personnel.

## POLICY

The Town of Holbrook 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, boards, or committees. Travel shall be restricted to necessary activities that provide a public benefit, such as training, professional conferences, and other work-related activities. No out-of-state travel is authorized. The Town will reimburse meals and room excises but not sales taxes. When this travel policy is not followed, there is no guarantee that all expenditures will be reimbursed.

### A. Authorized Travel

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. 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.

When a board, committee, or commission member plans to do work-related travel, the details of the activity, mode of transportation, expenses to be incurred, allowed methods of payment, and dollar limits should be discussed in an open meeting.

On an exception basis, the Town will reimburse for an employee’s unanticipated, out-of-pocket expenses provided the individual has ensured that:

- The expense has a valid business purpose;
- There are funds available in the appropriate account(s) to cover the reimbursement; and
- The department head or appointing authority approves the expense.

The Town Accountant may refuse to approve payment or reimbursement for any claim found to be fraudulent, unlawful, or excessive. In that instance, the Town Accountant will provide a reason for refusal to the originating department head or appointing authority.

### B. Reimbursement for Personal Vehicle Transportation

The Town will reimburse an employee who is authorized to travel using his or her personal vehicle for mileage at the rate of [\$0.49] per mile and for parking and tolls, as appropriate. The employee must submit to the Town Accountant a detailed reimbursement voucher that includes the travel date, starting point, destination, miles traveled, and purpose of travel. In addition, the employee must provide any receipts in order to receive reimbursement for any parking or tolls. The written reimbursement request must include the signature of the department head or appointing authority.

### C. Reimbursement for 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 taxes and tips, incurred during the course of approved travel will be reimbursed only upon presentation of itemized receipts. The Town will not reimburse for any alcoholic beverages. Under no circumstances will the total reimbursement exceed the Town's per diem rate of [\$40].

### D. Reimbursement for 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.

### E. 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. All travel reimbursements will be processed in accordance with the Town's Disbursements policy. In addition to the reimbursement voucher mentioned above, the employee must supply the prior written approval for the travel and the receipts for all expenses being submitted.

For the select board and school committee, the Town Accountant (or School Business Manager) shall provide a cover memo to be read into the minutes of the Selectmen (or School Committee) meeting indicating that all travel expenses included in the warrant comply with previously voted authorizations.

### F. 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.

### G. Audit

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

### **REFERENCES**

[M.G.L. c. 41, §§ 52, 56](#)

[M.G.L. c 44, §§58, 64](#)

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

### **EFFECTIVE DATE**

This policy was adopted on [ ].

## APPENDIX I

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

| <b>Policy</b>             | <b>Date of Adoption</b> | <b>Last reviewed</b> | <b>Date of Amendment(s)</b> |
|---------------------------|-------------------------|----------------------|-----------------------------|
| Antifraud                 | XX/XX/XXXX              | XX/XX/XXXX           | XX/XX/XXXX                  |
| Cash Flow                 |                         |                      |                             |
| Conflict of Interest      |                         |                      |                             |
| Credit Card Usage         |                         |                      |                             |
| Debt Management           |                         |                      |                             |
| Disbursements             |                         |                      |                             |
| Financial Management Team |                         |                      |                             |
| Financial Reserves        |                         |                      |                             |
| Investments               |                         |                      |                             |
| Procurement               |                         |                      |                             |
| Reconciliations           |                         |                      |                             |
| Revenue Turnover          |                         |                      |                             |
| Tax Enforcement           |                         |                      |                             |



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

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

*46th Annual School – August 16, 2016*

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**INVESTMENT POLICY STATEMENTS**

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## TOWN OF \_\_\_\_\_ INVESTMENT POLICY STATEMENT

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

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

#### A. Scope

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

#### B. Investment Instruments

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

The Treasurer may invest in the following instruments:

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

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

#### C. Diversification

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

#### D. Authorization

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

#### E. Restrictions

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

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

## F. Legal References

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

## II. The Investment of Long Term Funds

### A. Scope

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

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

### B. Authority

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

### C. Investment Instruments

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

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

The Treasurer may invest in the following instruments:

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



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

#### D. Standards of Care

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

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

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

#### E. Diversification

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

#### F. Legal References

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

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

### III. General Provisions

#### A. Objective

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

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

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

#### B. Risk Tolerance

- Credit Risk

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

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

- Custodial Risk

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

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

- Concentration of Credit Risk

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

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

- Interest Rate Risk

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

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

- Foreign Currency Risk

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

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

### C. Ethics

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

### D. Relationship with Financial Institutions

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

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

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

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

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

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

#### E. Reporting Requirements

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

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