

TOWN OF LUNENBURG

FINANCIAL POLICIES MANUAL

APRIL 2024



DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

PREPARED BY:

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INTRODUCTION

At the Select Board's request, the Division of Local Services (DLS) Financial Management Resource Bureau created a financial policy manual for the Town of Lunenburg. It is divided into two parts, the first containing policies associated with financial planning and the second with day-to-day operations.

This draft policy document is provided for the review and approval of the Select Board, Town Manager, finance team, and other local officials as applicable. Each policy designates the responsibilities for the actions required to achieve the purpose and comply with the parameters. We understand Lunenburg currently operates with a combined Finance Director/Town Accountant role; however, we present the assigned policy duties according to their statutory roles with oversight by the Finance Director. This more clearly identifies the individual responsibilities in the case of a future organizational structure change.

These policies are based on municipal best practices and tailored to the specific conditions of Lunenburg, incorporating the Town's existing financial practices and policies, both formal and informal, as well as relevant charter and bylaw provisions. While we reviewed and included reference to the current Select Board policies, the benchmarks and target levels presented in this document are based on the best practices and target levels recommended for municipalities comparable to Lunenburg. The Town should analyze its current financial operations and existing policies to determine the appropriate benchmarks and metrics before adopting these policies. To assist with this analysis, we include within the policies the Town's current financial positions against the recommended targets.

As noted in the Tax Enforcement policy, based on a recent United States Supreme Court decision there is great uncertainty of the Town's ability to recover proceeds in excess of the recorded receivable when foreclosing on a property for unpaid taxes. At this time, DLS does not object to communities temporarily holding the surplus proceeds in a segregated account. We suggest the Town consult with local counsel before proceeding with foreclosure actions.

Last, we recommend that the Town conduct policy reviews every few years to ensure continued compliance and assess if changes in circumstances, conditions, or guidance warrant revisions or updates. During these periodic reviews, the Town should identify additional topics suitable for policies and incorporate them in the updated manual.

LUNENBURG MASSACHUSETTS

FINANCIAL POLICIES MANUAL



PREFACE

The Town of Lunenburg 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 are intended to outline objectives, provide direction, and define authority to help ensure sound fiscal stewardship and management practices. Each should be periodically reviewed and updated, as necessary.

With these policies, the Town of Lunenburg, through its Select Board, Town Manager, Finance Committee, Finance Director, and employees, commits to the following objectives:

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

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FINANCIAL PLANNING POLICIES

ANNUAL AUDIT

Applies to:	<ul style="list-style-type: none"> ▪ The Select Board in the overall responsibility to safeguard the Town’s fiscal health ▪ Town Manager and Finance Director’s oversight duties ▪ Financial management offices and any other Town employees whose activities are subject to being audited
Scope:	Goals and objectives for the Town’s annual engagement with an independent audit firm
Date:	[Date]

PURPOSE

To ensure the reliability, accuracy, and completeness of year-end financial statements and obtain independent verification that appropriate internal controls are in place to protect public assets, this policy sets guidelines for the Town’s annual engagement with an external audit firm.

POLICY

The Town’s financial statements will be audited annually by a certified public accounting firm (“independent auditor”). In addition, every annual audit contract will include a requirement to review the Town’s financial management practices and report on any identified deficiencies in a management letter.

A. Auditor Selection

To ensure the opportunity for periodic new perspectives on financial practices, the Town will solicit competitive bids from audit firms at six-year intervals. In compliance with state statute, the contract will be awarded to the lowest qualified bidder with a good municipal auditing reputation (i.e., “responsive and responsible” vendor). If the Town selects its incumbent auditor, the firm must agree to rotate audit managers.

B. Audit Engagement

The Finance Director will coordinate the independent auditor’s access to any requested accounting records, written procedures, or other documents. Every department head, official, or employee must respond to any such request timely and make themselves available to answer any of the independent auditor’s questions. Under the vendor contract, the independent auditor will be required to provide the Finance Director with preliminary findings and present final audit and management letter results to the Town Manager and Select Board.

C. Corrective Action Plan

Whenever the independent auditor identifies a procedural weakness or deficiency, the independent auditor will describe it in a management letter citation. Upon receiving the management letter, the Finance Director will work with the financial departments and any other relevant Town employees, to compose a written response to each citation, explaining the Town’s corrective action plan (CAP) for the identified issue. This will typically require them to identify the citation’s root cause(s) and then

determine what controls must be implemented to correct the cause(s), consulting further with the independent auditor when necessary.

The Finance Director will separately provide the Town Manager with a CAP report that explains the plans in more detail, including the responsible parties and anticipated time frames for implementing the controls. The Town Manager will hold the Finance Director and applicable employees accountable for any citations that repeat in a subsequent year.

D. Time frames and Reporting

Through adherence with the [Reconciliations](#) policy, it is the Town's goal to ensure the independent auditor can complete the audit and management letter by December of the year following the fiscal year-end closing. The Finance Director will provide copies of the final versions of both reports to the Division of Local Services within two weeks of receipt.

INTERNAL REFERENCES

Bylaw	<ul style="list-style-type: none"> ▪ Part I, Chapter 5 Administration of Government, Section 5-7
Policies	<ul style="list-style-type: none"> ▪ Financial Management Team ▪ Procurement Conflict of Interest ▪ Reconciliations ▪ Year-End Closing

EXTERNAL REFERENCES

MA Office of the Inspector General guidance: [A Local Official's Guide to Procuring and Administering Audit Services](#)

Division of Local Services Best Practice: [Annual External Audits](#)

Government Finance Officers Association Guidance: [Audit Procurement](#)

ANNUAL BUDGET PROCESS

Applies to:	<ul style="list-style-type: none"> ▪ Town Manager, Select Board, Finance Committee, and School Committee budget decision-making roles ▪ Finance Director, Town Accountant, and Board of Assessors job duties ▪ All Department Heads and the boards and committees that have spending authority (all referred to here as “Department Heads”) in their budget planning duties
Scope:	<ul style="list-style-type: none"> ▪ Annual budget development, documentation, adoption processes, and related activities
Date:	<ul style="list-style-type: none"> ▪ [Date]

PURPOSE

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

POLICY

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

The Town Manager, with assistance from the Finance Director, is responsible for developing the annual budget and will do so according to the vision, goals, and strategic plans laid out in the Select Board. As the advisor for the interests of town meeting voters, the Finance Committee will make recommendations on all warrant articles having a fiscal impact on the Town and report on the annual budget proposed by the Town Manager. It is the goal of all these parties to work in a cooperative manner to present voters with a consensus budget.

All parties applicable under this policy are expected to comply with the annual budget calendar’s milestone deadlines when they are set each year. As part of this, department heads will timely provide the Town Manager with all information needed for the creation of an informative budget document, which will be made available to voters at least seven days prior to the date of town meeting.

A. Budget Goals

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

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

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

Enterprise Funds – The Town Manager along with applicable department heads, committees, or commissions will seek to ensure that each enterprise fund budget remains self-supporting. The goal is to avoid or minimize any subsidy from the general fund by raising the revenue necessary to support all the direct, indirect, and capital related costs to run the operations through charges and fees only.

B. Principles for Balanced, Sustainable Budgets

The Town Manager, with the Finance Director, will prepare an annual budget proposal for the approval of the Select Board and Finance Committee and eventual inclusion in the annual town meeting warrant. To assure the creation of a budget that is both balanced and sustainable for future years, the following principles will apply:

1. Recurring revenues (e.g., property taxes, vehicle excises, service fees and charges, interest earnings, state aid) will be sufficient to support recurring expenditures (e.g., employee wages and benefits, materials, supplies, contracted costs, debt service).
2. The Town will avoid using any one-time revenue source to fund ongoing services unless necessitated by exceptional circumstances, and any such usage will require the Town Manager to document a plan to replace this source in future years.
3. At the direction of the Town Manager, each officer, elected board, committee, and department authorized to charge a fee for service will review the fee schedules every year and propose increases when necessary to ensure coverage of service costs.
4. All departmental budgets will be prepared to reflect the full costs of providing the services and list the proposed and prior-year actual allocations of full-time-equivalent employees.
5. The Town will not underfund any fixed, recurring costs in the annual operating budget with the expectation that budget supplements will be available during the year but will instead fund them at the realistic amount necessary to complete the year.
6. The Town Manager will evaluate all contractual obligations, requests, and strategic priorities to determine annual non-collectively bargained pay increases.
7. When a forecast predicts annual revenues to exceed annual expenditures, the following options should be considered for the excess revenue:
 - Building up reserve fund target levels
 - Advancing deferred capital expenditures
 - Funding the other postemployment benefits liability
 - Accelerating payments on other long-term obligations

- Restoring services reduced from prior years
 - Funding new initiatives
 - Exploring tax relief
8. The Board of Assessors will vote to authorize a contribution to the overlay account to offset the Town's liability for unpaid property taxes caused by abatements and exemptions. This amount shall be based on:
- Current balance in the overlay account
 - Three-year average of granted abatements and exemptions
 - Cases pending before, or on appeal from, the Appellate Tax Board
 - Timing of the next five-year certification review by the Division of Local Services

C. Budget Calendar

The annual budget process will begin with the Town Manager's forecast presentation to a joint meeting of the Select Board, Finance Committee, and School Committee and end with the annual town meeting in May. At the start of the process each year, the Town Manager and Finance Director will coordinate a budget process that enables early identification and review of major policy issues and allows adequate time for public input and analysis of options, leading to the timely publication of the annual town meeting warrant. The Town Manager will publish a budget calendar listing the specific due dates for all process milestones, submit it for the approval of the Select Board and Finance Committee, and distribute the approved calendar to all the parties subject to this policy. The calendar shall include dates for public hearings of the School Committee and Finance Committee.

D. Budget Document and Presentation

The Town Manager will prepare and present a transparent and reader-friendly budget document that presents all proposed expenditures for current operations and capital projects during the ensuing year, detailed by department, purpose, and project. It will contain a budget message that includes a five-year revenue and expenditure forecast of the Town's fiscal and financial needs. The outlook will include economic trends that will affect the Towns, as well as anticipated major capital investments. The budget message will also highlight important features of the budget, explain any major variations in current year revenue, expenditures, or policies, and summarize the town's debt position.

As a model for the budget document, the Town Manager will use standards established by the Government Finance Officers Association (GFOA) in its [Distinguished Budget Presentation](#) program. It will incorporate narrative information on Town departmental and organizational goals, the plans and resource allocations needed to meet those goals, graphical information about available finances, and summary of the Town's five-year capital plan.

E. Budget Monitoring

The Town Accountant will continually monitor the budget and provide regular formal reports to the Finance Director, Town Manager, and Select Board. The Town will take immediate corrective actions if at any time during the fiscal year expenditure or revenue estimates indicate a projected operating

deficit by year-end. Corrective actions can include, but are not limited to, hiring freezes, expenditure reductions, layoffs, or use of contingency funds.

F. Cyclical Budget-Related Activities

Beyond the development, implementation, and monitoring of the budget, the budget cycle encompasses other events throughout the fiscal year. These include providing instructions for closing one fiscal year and opening of the new one in compliance with the [Year-End Closing](#) policy, preparing for an audit, submitting state reports and other documentation, and evaluating prior year results.

INTERNAL REFERENCES

Charter	<ul style="list-style-type: none"> ▪ Article 4 Town Manager, Section 4-2 Powers and Duties ▪ Article 5 Administrative Organization, Section 5-3 Department of Finance and Financial Services ▪ Article 6 Finances and Fiscal Procedures
Bylaw	<ul style="list-style-type: none"> ▪ Part I, Chapter 70, Section 70-8 Salary Schedule ▪ Part I, Chapter 70, Section 70-14 Department Budgets
Policies	<ul style="list-style-type: none"> ▪ Capital Planning ▪ Debt Management ▪ Financial Management Team ▪ Financial Reserves ▪ Forecasting ▪ Indirect Cost Allocation ▪ Other Post Employment Benefits Liability ▪ Overlay ▪ Year-End Closing

EXTERNAL REFERENCES

M.G.L. c. 39, § 10	M.G.L. c. 44, § 32	M.G.L. c. 58, § 25A
M.G.L. c. 39, § 16	M.G.L. c. 44, § 33A	M.G.L. c. 59, § 21C
M.G.L. c. 40 § 6	M.G.L. c. 44, § 33B	M.G.L. c. 70
M.G.L. c. 41, § 15A	M.G.L. c. 44 § 53F½	M.G.L. c. 71, §§ 16B
M.G.L. c. 41, § 59	M.G.L. c. 58, § 25	M.G.L. c. 71, §§ 16B½
M.G.L. c. 41, § 60		

Division of Local Services Best Practice: [Annual Budget Process in Towns](#)

Government Finance Officers Association Best Practices: [Achieving a Structurally Balanced Budget](#), [Working Capital Targets for Enterprise Funds](#), and [Distinguished Budget Presentation Criteria](#)

CAPITAL PLANNING

Applies to:	<ul style="list-style-type: none"> ▪ Select Board, Finance Committee, Capital Planning Committee, Town Manager, and Finance Director budget decision-making roles ▪ School Committee and School Superintendent budgetary duties ▪ Town Accountant job duties ▪ All Department Heads in planning for and requesting capital projects
Scope:	<ul style="list-style-type: none"> ▪ All current and proposed capital projects for assets owned by the Town
Date:	<ul style="list-style-type: none"> ▪ [Date]

PURPOSE

To effectively maintain, acquire, expand, or enhance the Town’s infrastructure and capital assets, this policy outlines guidance for planning, reviewing, and coordinating capital improvements.

POLICY

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

The Capital Planning Committee (CPC) is charged to establish and update a comprehensive capital improvement program, which involves maintaining a capital asset inventory that includes Town real, personal, and school property, prioritizing projects, analyzing funding, and creating a long-term financial plan achievable within the Town’s budget limitations. The CPC’s membership consists of five members: one appointed by each of the Finance Committee, Select Board, School Committee, and Planning Board, and one member appointed by the Moderator. The CPC shall prepare a report for the Town Manager to be included in the annual budget process.

POLICY SUMMARY

Capital Process Component	Policy Guidance
Capital Project definition	<ul style="list-style-type: none"> ▪ Costs \$20,000 or more, <u>and</u> ▪ Has (or extends) useful life of three (3) years
Annual Capital Budget	<ul style="list-style-type: none"> ▪ Developed by the Capital Planning Committee based on departmental submissions ▪ Updated and finalized by the Town Manager for proposal to Select Board and Finance Committee
Multiyear Capital Improvements Program	<ul style="list-style-type: none"> ▪ Five-year plan: <ul style="list-style-type: none"> – First year is the capital budget proposed for the next fiscal year – Four subsequent years of capital project projections ▪ Prioritizes, updated, and maintained the Capital Planning Committee

Capital Inventory	<ul style="list-style-type: none"> ▪ Assembled and updated annually ▪ Responsibility of the Capital Planning Committee, with support from the Finance Director and Town Accountant
Prioritization criteria	<p>In descending order:</p> <ol style="list-style-type: none"> 1. Eliminates public health or safety hazard 2. Required by state or federal laws or regulations 3. Supports adopted plans, goals, objectives, and policies 4. Stabilizes or reduces operating costs 5. Makes better use of a facility or replaces a clearly obsolete one 6. Maintains or improves productivity or existing standards of service 7. Uses outside financing sources, such as grants 8. Directly benefits Town's economic base by increasing property values 9. Provides new programs having social, cultural, historic, economic, or aesthetic value

Capital Financing	Policy Guidance
Funding targets	<ul style="list-style-type: none"> ▪ Overall capital spending: 4 - 7% of the general fund budget <ul style="list-style-type: none"> ○ Non-debt, "cash capital" spending: 2 - 3% of GF budget ○ Annual capital debt service: 2 - 4% of GF budget
Debt usage	<ul style="list-style-type: none"> ▪ Short-term debt: Useful life < 10 years ▪ Long-term debt: Useful life > 10 years and cost > \$100,000
Cash capital	<ul style="list-style-type: none"> ▪ Appropriate funding sources: levy, free cash, general stabilization fund, special purpose stabilization funds, sewer capital reserve fund, revolving funds, overlay surplus, certain receipts reserved funds, grants

A. Definition of a Capital Improvement

A capital improvement is a tangible asset or project estimated to cost over \$20,000 and to have or to extend three or more years of useful life. These include:

- Real property acquisitions, construction, and long-life capital equipment
- Improvements to physical infrastructure, including streets, sidewalks, stormwater drains, and wastewater treatment systems
- Renovations of existing capital items that extend their useful lifespans, as distinguished from normal operating expenditures
- Planning, feasibility studies, and designs for potential capital projects
- Items obtained under long-term capital leases
- Bulk purchases of similar items, like software, furniture, or radios with an expected useful life of three or more years that, when aggregated, have total costs exceeding \$20,000

B. Capital Asset Inventory

To support a systematic acquisition and replacement schedule, the CPC, with assistance from the Town Accountant, will annually update and maintain a detailed inventory of all capital assets. This

inventory shall include dates built, acquired or last improved, original costs, current conditions, expected and remaining useful lifespans, depreciated values, extent of use, and any scheduled replacement or expansion dates.

C. Evaluation of Capital Projects

As part of the annual budget process, the CPC will solicit capital project requests from department heads. Each submittal of each item shall include a financial impact statement regarding its effect on the relevant departmental operating budget(s). The CPC will review all capital project requests and meet with each department head. When evaluating and deciding on project proposals, the CPC will prioritize them using the criteria below

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

D. Multiyear Capital Improvement Plan

The Town Manager will submit a five-year Capital Improvement Program (CIP) to the Select Board and Finance Committee based on recommendations from the CPC. This must occur at least 150 days before the start of each fiscal year. The CIP will include the capital budget for the upcoming fiscal year and a four-year projection of capital needs and expenditures, detailing their descriptions, estimated costs, ongoing operating and maintenance costs, and anticipated funding sources.

As part of this process, the Town Accountant will provide the CPC and Town Manager with relevant status updates for any previously funded capital projects that are still pending or in the process of being acquired, improved, or constructed, along with completed projects with funds not fully expended.

E. Capital Financing

Annually, the Town will strive to appropriate two to three percent of the annual general fund budget, net of debt, to capital investment allocations, through funding derived from a combination of property taxes, free cash, and the special purpose stabilization funds. This cash capital funding target is a complement to the debt service maintenance goal defined in the [Debt Management](#) policy.

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

- Available funds (e.g., free cash, stabilization funds, retained earnings) will provide funding sources for capital projects as much as practical.

- Special revenue sources (e.g., grants, revolving funds) shall be evaluated as funding options whenever practical.
- Before any long-term, bonded capital project is recommended, the project’s annual operating costs and debt service costs shall be identified.
- Short-term debt may be used to finance purchases with useful lifespans of less than 10 years.
- Capital (one year) or debt exclusions (multiyear) will be considered to accomplish major capital projects, such as new construction or major renovations to existing facilities. Any debt exclusion shall not exceed 30 years.
- Infrastructure or facility maintenance budgets built into the general operating budget will not be reduced to fund other departmental expenses.
- To the extent feasible, all capital projects associated with the water and sewer enterprise funds will be financed from user fees or retained earnings.
- In accordance with Lunenburg’s [Debt Management](#) policy, the Town will restrict long-term debt funding to projects with lifespans greater than 10 years and costs exceeding \$100,000.

INTERNAL REFERENCES

Charter	<ul style="list-style-type: none"> ▪ Article 6, Section 6-7 Capital Improvements Program
Bylaw	<ul style="list-style-type: none"> ▪ Part I, Chapter 12, Article VI Capital Planning Committee
Policies	<ul style="list-style-type: none"> ▪ Capital Planning ▪ Debt Management ▪ Financial Management Team ▪ Financial Reserves ▪ Forecasting ▪ Indirect Cost Allocation ▪ Other Post Employment Benefits Liability ▪ Overlay ▪ Year-End Closing ▪ Select Board Policies and Procedures, Article III, Section 3.02 Capital Budget

EXTERNAL REFERENCES

[M.G.L. c. 44, § 53J](#)

[M.G.L. c. 80, § 13](#)

Division of Local Services (DLS) Best Practice: Presenting and Funding Major Capital Projects

DLS Financial Management Guidance: [Capital Improvement Planning Manual](#), [Capital Improvement Planning Guide](#), and [Betterments & Special Assessments – Assessment and Collection Procedures](#)

DEBT MANAGEMENT

Applies to:

- Town Manager, Select Board, and Finance Committee in their budget decision-making
- Finance Director’s oversight, budget analysis, and reporting duties
- Treasurer/Collector’s debt management responsibilities
- Town Accountant record keeping responsibilities

Scope:

- All short- and long-term debt obligations as permitted to be issued under state law, including general obligation bonds, revenue bonds, bond anticipation notes (BANs), revenue anticipation notes (RANs), grant anticipation notes (GANs), and lease/purchase agreements

Date:

- [Date]

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 costs, and sustain capital investment capacity. It can also help the Town to maintain or enhance a favorable bond rating so as to achieve long-term interest savings.

POLICY

Under the requirements of federal and state laws, the Town may periodically issue debt obligations to finance the construction, reconstruction, or acquisition of infrastructure and other assets or to meet short-term cash flow needs. The Town may also refinance existing debt. The Town will issue and manage debt obligations to obtain the best long-term financial advantage and will limit the amount of debt to minimize the impact on taxpayers. The Town will not issue debt obligations to construct, reconstruct, or purchase capital assets that can be acquired with current revenues.

The Town may issue short-term debt (by a BAN, RAN, or GAN) when it is necessary to fund immediate cash requirements, as bridge financing in advance of receiving the anticipated funding. Short-term financing also makes sense when it allows the Town to take advantage of a lower interest rate, when savings are to be had from aggregating issuances, or when market conditions are such that postponing the issuance of long-term debt for the greater portion of a project’s cost may be a prudent option.

POLICY SUMMARY

Debt Financing	Policy Guidance
Long-Term Debt Criteria	<ul style="list-style-type: none"> ▪ For purposes allowed by statute and are tax-exempt ▪ For nonrecurring purposes only ▪ Cost exceeding \$100,000 and have at least 10 years of useful life ▪ Financing sources have been identified

Debt Service Parameters	<ul style="list-style-type: none"> ▪ Total debt service: 5 - 11% of the total budget <ul style="list-style-type: none"> ○ Within levy: 2 - 4% of general fund budget ○ Exclusion override (exempt): up to 9% of general fund budget ▪ Maintain level either by appropriation for current debt service or to capital reserve
Debt Structure	<ul style="list-style-type: none"> ▪ At least 50% of outstanding principal paid within 10 years ▪ Debt service schedule not to exceed the asset's useful life ▪ Limit maturities to no more than 10 years, except for major buildings, land acquisitions, and other purposes in accordance with the useful life schedule

A. Debt Financing

In financing with debt, the Town will:

1. Issue long-term debt only for purposes that are authorized by state law and qualify for tax-exempt bonds and only when the financing sources have been clearly identified.
2. Use available funds to the greatest extent possible to reduce the amount of borrowing on all debt-financed projects.
3. Confine long-term borrowing to capital projects that cost at least \$100,000 and have at least 10 years of useful life or whose useful lifespans will be prolonged by at least 10 years.
4. Refrain from using debt to fund any recurring purpose, such as current operating and maintenance expenditures.
5. Consider using special assessments, betterment assessments, and similar dedicated revenues to fund long-term debt.
6. Retire any debt obtained through a BAN no later than six months after the date that its associated capital project is completed. If there is a financial advantage to deferring the issuance of permanent debt, the Town will make annual reductions to the outstanding principal as if the permanent debt had been issued. This will prevent the Town from carrying any BAN beyond the period in which it is necessary, reduce the interest rate risk the Town will face, and help ensure the timely close out of capital projects.

B. Debt Limits

The Town will adhere to these debt parameters:

1. Total debt service, including debt exclusions and any self-supporting debt, shall be limited to 11 percent of total operating revenues, with a target balance of five to seven percent.
2. Debt service within the levy limit (non-excluded) will be between two and four percent of the general fund budget.¹

¹. This policy uses the general fund budget as the basis for debt service target levels, whereas the current Lunenburg Select Board policy states using the tax levy. Although general fund debt is referred to as "within levy", the standard policy benchmark is the total general fund budget due to the tax levy being only one component of this total (Lunenburg FY2024=64%).

3. As a control for maintaining consistent capital investment and target debt service levels, the Town will seek to replace maturing, non-excluded debt obligations with new issuances. If the town does not replace the rolled-off debt with new issuance(s), the amount of service of the maturing debt should be annually appropriated to special purpose stabilization fund until a new issuance with an equal amount of debt service occurs.
4. As dictated by state statute, the Town's debt limit shall be five percent of its most recent equalized valuation.

Fiscal Year	FY2020	FY2021	FY2022	FY2023	FY2024
Current Year General Fund Budget	42,520,507	42,743,616	44,742,766	47,551,576	49,661,935
Annual Debt Service Ranges:					
Within Levy - 2%	850,410	854,872	894,855	951,032	993,239
Within Levy - 4%	1,700,820	1,709,745	1,789,711	1,902,063	1,986,477
Excluded - up to 9%	3,826,846	3,846,925	4,026,849	4,279,642	4,469,574
General Fund -Within Levy Debt Service	593,239	546,133	480,807	424,707	320,228
General Fund - Excluded Debt Service	3,334,871	3,387,830	3,363,593	3,366,934	2,537,673
Percentage Within Levy to GF Budget	1.4%	1.3%	1.1%	0.9%	0.6%
Percentage Excluded to GF Budget	7.8%	7.9%	7.5%	7.1%	5.1%

C. Structure and Term of Debt

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

1. The Town will attempt to maintain a long-term debt schedule such that at least 50 percent of outstanding principal will be paid within 10 years.
2. The term of any debt shall not exceed the expected useful life of the capital asset being financed and in no case shall it exceed the maximum allowed by law.
3. The Town will limit bond maturities to no more than 10 years, except for major buildings, land acquisitions, and other purposes in accordance with the useful life borrowing limit guidelines published by the Division of Local Services (DLS).
4. Any vote to authorize borrowing will include authorization to reduce the amount of the borrowing by the amount of the net premium (bonds) and accrued interest (notes).
5. For new long-term debt, the Town will pursue net direct debt service schedules with annual principal and interest payments (net of any reimbursements or dedicated revenue sources) that are sustainable using recurring revenues.
6. The Town will work closely with its financial advisor to follow federal regulations and set time frames for spending borrowed funds to avoid committing arbitrage, paying rebates, fines, and penalties to the federal government, and jeopardizing any debt issuance's tax-exempt status. The Town must comply with certain time frames for spending borrowed funds to avoid having to pay a rebate to the federal government on investment income earned on the funds. All funds must be used according to the following schedules or sooner:

	Construction debt:	Capital debt for non-construction projects:	All other municipal purpose debt:
First six months	10%	15%	100%
First year	45%	60%	
18 months	75%	100%	
Two years	100%		

- Debt associated with the expansion of sewer services throughout Town will be funded by assessing betterments based on the total project cost.

D. Bond Refunding

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

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

E. Disposition of Surplus Bond Proceeds

Whenever a completed or discontinued project has a surplus balance from bond proceeds, the Finance Director will make a report of the information to the Town Manager and Select Board with a recommendation(s) on how the money should be repurposed. The Select Board will vote to apply the surplus as follows:

- For a completed project is less than \$50,000: to transfer the funds to an outstanding debt service obligation(s)
- For a completed project with a balance of \$50,000 or greater, town meeting will be presented with an article to appropriate the balance for another purpose.
- For a project that was discontinued regardless of the surplus amount, town meeting will be presented with an article to abandon the project, by a two-thirds vote, and to appropriate the balance for a new purpose.

In the latter two circumstances above, the expenditure being offset by the surplus must have a purpose for which the Town may authorize a loan for an equal or longer period of time than that for which the original loan was issued.

F. Protection of Bond Rating

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

- Maintain good communications with bond rating agencies, bond counsel, banks, financial advisors, and others involved in debt issuance and management.

2. Follow a policy of full disclosure on every financial report and bond prospectus, including data on total outstanding debt per capita, as a percentage of per capita personal income, and as a percentage of total assessed property value.

G. Reporting

1. The Finance Director will report to the Town Manager and Select Board on the Town's debt status annually.
2. The Town Manager will include the Town's debt position in the annual budget message.
3. The Town Accountant will include an indebtedness summary as part of a report on receipts and expenditures in the Annual Town Report.
4. The Finance Director, with the Town's financial advisor, will file the annual audit and official disclosure statement within 270 days of the end of the fiscal year.

INTERNAL REFERENCES

Charter	<ul style="list-style-type: none"> ▪ Article 6 Finances and Fiscal Procedures
Policies	<ul style="list-style-type: none"> ▪ Annual Budget Policy ▪ Capital Planning ▪ Forecasting ▪ Select Board Policies and Procedures, Article III, Section 3.01 Borrowing

EXTERNAL REFERENCES

[M.G.L. c. 41, § 59](#)

[M.G.L. c. 44, § 8](#)

[M.G.L. c. 44, § 21C](#)

[M.G.L. c. 41, § 61](#)

[M.G.L. c. 44, § 17](#)

[M.G.L. c. 44, § 53J](#)

[M.G.L. c. 44, § 6](#)

[M.G.L. c. 44, § 19](#)

[26 USC § 148](#)

[M.G.L. c. 44, § 6A](#)

[M.G.L. c. 44, § 20](#)

[M.G.L. c. 44, § 7](#)

[M.G.L. c. 44, § 21A](#)

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

DLS Borrowing Guidelines: [Asset Useful Life Schedules and Maximum Borrowing Terms](#)

DLS Informational Guideline Releases 22-02: [Borrowing](#) and 22-01: [Premiums and Surplus Proceeds for Proposition 2½ Excluded Debt](#)

Government Finance Officers Association Best Practice: [Refunding Municipal Bonds](#)

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

FINANCIAL RESERVES

Applies to:	<ul style="list-style-type: none"> ▪ Town Manager, Finance Director, Select Board, and Finance Committee budget decision-making roles ▪ Town Accountant, and Board of Assessors job duties
Scope:	<ul style="list-style-type: none"> ▪ Goals for and appropriate use of general fund reserves, including free cash, stabilization funds, and overlay surplus
Date:	<ul style="list-style-type: none"> ▪ [Date]

PURPOSE

To help the Town stabilize finances and maintain operations during difficult economic periods, this policy establishes prudent practices for appropriating to and expending reserve funds. With well-planned sustainability, the Town can use its reserves to finance emergencies and other unforeseen needs, to hold money for specific future purposes, or in limited instances, to serve as revenue sources for the annual budget. Reserve balances and policies can also positively impact the Town's credit rating and consequently its long-term borrowing costs.

POLICY

The Town is committed to building and maintaining its reserves 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. For general operations, the Town will strive to maintain a minimum funding level equivalent to 13 to 20 percent of its prior year annual general fund operating budget. For the enterprise operations, the Town will endeavor to maintain a minimum reserve amount of 25 percent of each operation's prior year budget with increasing target levels in anticipation of infrastructure or major capital projects.

POLICY SUMMARY

General Fund Reserve Name	Funding Target (% of prior year general fund budget)	Appropriate Usage
Free cash	5-7%	<ul style="list-style-type: none"> ▪ One-time costs only, including cash capital ▪ Transfer annually: <ul style="list-style-type: none"> – At least 5% to general stabilization fund (SF) – At least 10% to OPEB trust fund – At least 10% to special purpose SF – At least 20% to cash capital budget – Lessor of 10% or \$250,000 to noncapital one-time expenses
General SF	5-8%	<ul style="list-style-type: none"> ▪ Emergencies and unexpected events ▪ 0.25% annual appropriation

Special Purpose SF	3-5%	<ul style="list-style-type: none"> ▪ Total target for the four (4) general fund special purpose funds: <ul style="list-style-type: none"> - Vehicle/Equipment - Health Insurance - Zoning Incentive - Reserve Capacity ▪ Sewer enterprise reserve targets are set separately <ul style="list-style-type: none"> - Sewer Inflow & Infiltration (I/I) - Sewer Capital Reserve
Overlay	Based on annual analysis of levy shortfall risk and the cumulative balance from prior years	<ul style="list-style-type: none"> ▪ Any legal purpose
Enterprise Fund	Retained Earnings Minimum Target (% prior year budget)	Appropriate Usage
Sewer	25%+	<ul style="list-style-type: none"> ▪ Infrastructure and capital improvements
Water	25%+	<ul style="list-style-type: none"> ▪ Infrastructure and capital improvements
Trash	25%	<ul style="list-style-type: none"> ▪ Capital improvements
PEG	none	<ul style="list-style-type: none"> ▪ Channel operation costs

A. Free Cash

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

The Town will strive to realize year-to-year free cash certifications equal to five to seven percent of the current year annual general fund budget. To achieve this, the Town Manager with assistance from the Finance Director will propose budgets with conservative revenue projections, and department heads will carefully manage their appropriations to produce excess income and budget turn backs.

The Town will limit its use of free cash to building reserves, funding nonrecurring costs (i.e., one-time expenditures, such as capital projects and emergencies), and offsetting the Town’s unfunded liabilities. The Town will plan to appropriate free cash as follows:

- Set aside at least 20 percent of the certified free cash amount as the starting balance for the next year’s free cash certification.
- Appropriate at least 10 percent to the special purpose stabilization funds and 5 percent to the Town’s general stabilization to achieve this policy’s target balances, with the total appropriations to all stabilization funds capped at 10 percent of the previous year’s total budget.
- Appropriate at least 10 percent to the Town’s other postemployment benefits (OPEB) trust fund as defined the [OPEB Liability](#) policy.
- Apply at least 20 percent but no more than 30 percent to the cash capital budget.

- Use the lesser of 10 percent or \$250,000 for noncapital special articles (e.g., snow and ice deficit, building maintenance, etc.).

Fiscal Year	FY2021	FY2022	FY2023	FY2024
Prior Year General Fund Budget	42,520,507	42,743,616	44,742,766	47,551,576
Free Cash Target Range:				
4%	1,700,820	1,709,745	1,789,711	1,902,063
6%	2,551,230	2,564,617	2,684,566	2,853,095
Certified Free Cash	1,804,185	2,666,962	2,923,290	1,870,612
Percentage to GF Budget	4.2%	6.2%	6.5%	3.9%

B. Stabilization Funds

A stabilization fund is a reserve account allowed by state law to set aside monies to be available for future spending purposes, including emergencies or capital expenditures, although it may be appropriated for any lawful purpose. The Town has established six stabilization funds as follows:

General Stabilization: The Town will endeavor to achieve and maintain a minimum balance of five to eight percent of the current year annual general fund operating budget in its general stabilization fund, with an annual appropriation of 0.3 percent of the current year general fund budget. Withdrawals from the general stabilization fund should only be used to pay expenditures related to a catastrophic or emergency event(s) that cannot be supported by current general fund appropriations. When possible, withdrawals of funds should be limited to the amount available above the five percent minimum target. If any necessary withdrawal drives the balance below this minimum due to extraordinary or unforeseen obligations that pose an immediate threat to the Town's financial stability that cannot be funded by other sources, the withdrawal should be limited to one-third of the fund's balance. The Town Manager and Finance Director will develop a detailed plan to replenish the fund to the minimum level within the next two fiscal years.

Special Purpose Stabilization Funds: Lunenburg maintains five special purpose stabilization funds:

- Vehicle/Equipment
- Health Insurance
- Zoning Incentive
- Reserve Capacity
- Sewer Inflow & Infiltration (I/I)

In addition is a Sewer Capital Reserve fund that is included with the stabilization fund balances.

The purpose and use of the Town's Special Purpose Stabilization Funds are set by town meeting vote. The Town will appropriate annually to the funds so that over time it achieves a minimum target balance total in the range of three to five percent of the Town's current year general fund budget. By sustaining funding in the Vehicle/Equipment reserve, the Town can balance debt with pay-as-you-go and cash capital funding costs consistent with the [Capital Planning](#) policy.

Fiscal Year	FY2021	FY2022	FY2023	FY2024
Prior Year General Fund Budget	42,520,507	42,743,616	44,742,766	47,551,576
General Stabilization Fund Target Range:				
6%	2,551,230	2,564,617	2,684,566	2,853,095
8%	3,401,641	3,419,489	3,579,421	3,804,126
General Stabilization Fund Balance	1,978,347	2,447,755	2,574,673	2,730,601
Percentage to GF Budget	4.7%	5.7%	5.8%	5.7%
Special Purpose Stabilization Funds Target Range:				
2%	850,410	854,872	894,855	951,032
5%	2,126,025	2,137,181	2,237,138	2,377,579
Special Purpose Stabilization Fund Balance*	1,183,697.92	1,500,117	2,108,312	2,580,632
Percentage to GF Budget	2.8%	3.5%	4.7%	5.4%

*Exclusive of Sewer Capital Reserve and Sewer I/I

C. Overlay Surplus

The purpose of the overlay reserve is to offset unrealized tax revenue resulting from abatements and exemptions. It can be used for other purposes only after it is determined to have a surplus. Therefore, unlike the other two types of reserves, this policy does not set a consistent, specific funding target for it. Rather, each year as part of the budget process, the Board of Assessors will vote to raise an overlay amount on the annual tax recapitulation sheet based on the analytical factors outlined in the [Annual Budget Process](#) policy.

At the conclusion of each fiscal year, the Board of Assessors will submit to the Town Manager, Finance Director, and Town Accountant an update of the overlay reserve with data that includes, but is not limited to, the gross balance, potential abatement liabilities, potential costs of current and future ATB cases, and any transfers to surplus. If the overlay balance exceeds the amount of potential liabilities, the Select Board may request that the Board of Assessors vote to declare it as surplus and available for to be appropriated to the General or any of the Special Purpose Stabilization Fund(s) or for any other one-time expense.

D. Retained Earnings

The finances for the four enterprise funds: sewer, water, trash, and public, educational, and government access cable channels (PEG), are accounted for separately from the general fund, which allows the Town to effectively identify each of the operation's direct, indirect, and capital, and set user fees at levels sufficient to recover them. Under this accounting, the Town may reserve each enterprise fund's generated surplus (referred to as retained earnings) rather than closing the surplus to the general fund at year-end.

The Town will endeavor to maintain a minimum reserve amount of 25 percent of the operation's total budget, which represents three months' worth of expenditures. This reserve shall be used to provide rate stabilization and to fund major, future capital projects. Whenever any major infrastructure improvement is being planned for either sewer or water operations, it may be necessary to revise the minimum target upward. To maintain the target reserve levels for the enterprise fund, the oversight board or commission must annually review, and adjust user rates as necessary.

Fiscal Year	FY2021	FY2022	FY2023	FY2024
Sewer				
Prior Year Sewer Budget	1,763,076	1,918,957	2,011,050	2,054,901
Certified Retained Earnings	2,023,242	1,828,706	2,232,978	2,124,854
Percentage to Budget	114.8%	95.3%	111.0%	103.4%
Water				
Prior Year Water Budget	25,000	25,000	25,000	25,000
Certified Retained Earnings	52,219	54,544	57,539	57,370
Percentage to Budget	208.9%	218.2%	230.2%	229.5%
Trash				
Prior Year Trash Budget	302,000	302,000	302,000	302,000
Certified Retained Earnings	10,390	49,413	134,318	128,322
Percentage to Budget	3.4%	16.4%	44.5%	42.5%
PEG				
Prior Year PEG Budget	272,000	311,000	220,866	211,375
Certified Retained Earnings	750,238	835,969	922,599	968,622
Percentage to Budget	275.8%	268.8%	417.7%	458.2%

INTERNAL REFERENCES

Policies	<ul style="list-style-type: none"> ▪ Capital Planning ▪ Forecasting ▪ Other Postemployment Benefits Liability ▪ Overlay ▪ Year-End Closing ▪ Select Board Policies and Procedures, Article III, Sections 3.03 Free Cash and 3.04 Stabilization
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EXTERNAL REFERENCES

[M.G.L. c. 40 § 5B](#)

[M.G.L. c. 44 § 53F½](#)

[M.G.L. c. 59 § 25](#)

DLS Best Practices: [Free Cash](#), [Reserve Policies](#), and [Special Purpose Stabilization Funds](#)
 DLS Informational Guideline Releases 08-101: [Enterprise Funds](#), 17-20: [Stabilization Funds](#), and 17-23: [Overlay and Overlay Surplus](#)

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

FORECASTING

Applies to:	<ul style="list-style-type: none"> ▪ Town Manager, Finance Director, and Principal Assessor job duties ▪ Select Board and Finance Committee in their budget analysis and decision-making responsibilities
Scope:	<ul style="list-style-type: none"> ▪ Creation, revision, and year-to-year conversion of a multiyear forecast of revenues and expenditures as part of the annual budget process ▪ Guidelines for formulating the assumptions that form the basis for forecast projections
Date:	▪ [Date]

PURPOSE

To assess the range of choices available to budget decision makers when determining how to allocate resources, this policy establishes guidelines for creating projections of revenues and expenditures as part of the annual budget process and multiyear fiscal planning. By presenting the future implications of current budget scenarios, forecasting helps local officials to make strategic plans for lasting fiscal sustainability and future investment.

POLICY

To determine the Town's operating capacity for future fiscal years, the Finance Director under the Town Manager's direction, will annually create a detailed forecast with five-year projections of revenues and expenditures. The Town Manager, Select Board, and Finance Committee will use the forecast to support their decision making for the upcoming year's operating and capital budgets and for the Town's long-range capital improvement plan.

To guard against potential deficits, as a general rule, the Finance Director will create conservative forecasts. In basic terms, this entails reviewing historical revenue and expenditure trends, anticipating factors that may impact those trends going forward, analytically developing assumptions, and then formulating reasonable revenue and realistic expenditure projections. Overly optimistic estimates can increase the risk of a revenue deficit, which would necessitate a reduction to the subsequent year's revenue to offset it. Conversely, underestimated projections may result in excess revenue that is unavailable to benefit the public in the same year as accrued and can be perceived as over taxation.

Early in the annual budget process, the Town Manager will present the initial forecast to a joint meeting of the Select Board, Finance Committee, and School Committee. Throughout the budget development, the Finance Director will update the forecast whenever there are changes in circumstances that would materially impact forecast projections and provide the Town Manager with these changes, who will subsequently share them with the Finance Committee, Select Board, and School Committee.

With each new budget year, the Finance Director will review the performance accuracy of prior-year forecasts and any evolving factors related to the underlying assumptions to consider how projections in the new forecast may need to be adjusted. Factors to consider include changes in laws, regulations, inflation rate, interest rate, Town goals, and policy decisions.

A. Guidelines for Revenue Assumptions

The following principles shall guide the formulation of revenue assumptions:

- Projections of the property tax levy will be confined by the limits of Proposition 2½ (absent any overrides) and take into consideration consensus decisions regarding the Town's level of excess levy capacity.
- New growth projections will consider the Town's three-, five- and 10-year averages by property class and advice from the Principal Assessor.
- The Town Manager will annually review the levy limit's relationship to the levy ceiling (which is 2.5 percent of the Town's real and personal property total value) to identify potential override capacity and to guard against the levy limit approaching or hitting the ceiling, which would impact future levy growth.
- Local aid projections will correspond with economic cycles, while Chapter 70 educational aid will reflect trends in school choice, enrollments, tuition, and charter assessments.
- Estimates for local receipts (e.g., motor vehicle excise, inspection fees, etc.) will not exceed 90% of the prior year's actual collections without firm evidence that higher revenues are achievable.
- One-time revenues will not be used in the projections to fund ongoing or recurring operating expenditures.
- Revenues from grant programs will be reviewed annually to determine their sustainability.
- The Town will build and maintain reserves in compliance with its [Financial Reserves](#) policy.
- To the extent feasible, the Select Board will set enterprise user fees sufficient to cover all fiscal year operating and capital improvement costs and thereby minimize any general fund subsidy.

B. Guidelines for Expenditure Assumptions

Annually, the Town Manager, with the Finance Director's analytical advice will determine a particular approach for forecasting expenditures, either maintenance (level service), level funded, or one that adjusts expenditures by a specified increase or decrease in percentages (either across the board or by department). A maintenance budget projects the costs needed to maintain the current staffing level and mix of services into the future. A level-funded budget appropriates the same amount of money to each municipal department as in the prior year and is tantamount to a budget cut because inflation in mandated costs and other fixed expenses still must be covered.

The following principles shall guide the formulation of expenditure assumptions:

- The Town's current level of services will provide the baseline for projections.
- Historical trends in the growth of operating expenses and employee benefits will prevail.
- The Town will annually meet or exceed the state's net school spending requirements.
- Trends in enrollment, including vocational and technical schools, and school choice, tuition, and charter assessments will be factored.
- Only currently known increases connected to compensation plans or schedule for the salaries/wages of regular employees will be factored into the projections.

- Potential cost-of-living adjustments to account for the impact of future contract settlements and compensation plan increases will be calculated independent of the forecast.
- The forecast will integrate projected capital expenditure data contained in the Town’s five-year capital improvement plan.
- The Town will pay all existing debt service obligations and adhere to its [Capital Planning](#) and [Debt Management](#) policies.
- The Town will pay its annual pension contributions and make appropriations to amortize its other postemployment benefits (OPEB) liability.
- Enterprise funds will reimburse the general fund for any indirect costs incurred.

INTERNAL REFERENCES

Charter	<ul style="list-style-type: none"> ▪ Article 4, Section 4-2 Powers and Duties ▪ Article 5, Section 5-3 Department of Finance and Financial Services ▪ Article 6, Section 6-7 Capital Improvements Program
Policies	<ul style="list-style-type: none"> ▪ Annual Budget Process ▪ Capital Planning ▪ Debt Management ▪ Indirect Cost Allocation ▪ Financial Reserves ▪ Grants Management ▪ OPEB Liability

EXTERNAL REFERENCES

[M.G.L. c. 44, § 20](#)

[M.G.L. c. 44, § 53A½](#)

[M.G.L. c. 44, § 63A](#)

[M.G.L. c. 44, § 53A](#)

[M.G.L. c. 44, § 63](#)

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

Government Finance Officers Association article: [Financial Forecasting in the Budget Preparation Process](#)

INDIRECT COST ALLOCATION

Applies to:	<ul style="list-style-type: none"> ▪ Town Manager, Finance Director, and Town Accountant job duties ▪ Director of Public Works and Public Access Cable Manager budget responsibilities ▪ Select Board, Finance Committee, Town Manager, Public Access Cable Committee (PACC), and Board of Sewer Commissioners budget analysis and decision-making responsibilities
Scope:	<ul style="list-style-type: none"> ▪ Analysis, calculation, and accounting of indirect costs attributable to the Town's four enterprise funds
Date:	<ul style="list-style-type: none"> ▪ [Date]

PURPOSE

To reimburse the general fund for all expenditures incurred on behalf of the Town's four enterprise funds, this policy provides guidelines for equitably calculating and allocating those indirect costs.

BACKGROUND

The Town has four enterprise funds for: water; sewer; solid waste; and public, educational, and government access cable channels (PEG). Under authority established in [M.G.L. c. 44 § 53F½](#), the accounting transactions for these enterprise funds are recorded and managed separately from the general fund. Revenues and expenses are not commingled with those of any other governmental activity, and consequently there are separate financial statements for each. Consolidating the enterprise fund direct and indirect costs, debt service, and capital expenditures into its own distinct, segregated fund allows the Town to demonstrate to the public the true, total cost of providing the service.

POLICY

As part of the annual budget process, the Finance Director will calculate the indirect costs to the general fund for each of the enterprise funds and review them with the Town Manager and the relevant department head. The Town Manager, Finance Director, and department heads will agree in writing to the indirect cost allocation methods and amounts prior to finalizing the annual budget proposal. Indirect costs will be determined using the most up-to-date expense information available to the Town Accountant at that time. Based on the results, the Town Accountant will record transfers between the relevant funds annually by June 15 of each fiscal year. The Town Accountant will maintain written procedures detailing the costs and their calculation methodologies.

A. Cost Categories

The indirect cost calculation will account for the following enterprise-related expenditures budgeted in the general fund:

- The enterprise funds departments' **personnel costs** for active and retired employees, including pensions, insurances, Medicare taxes, unemployment, and workers' compensation

- **Administrative services** performed on behalf of the enterprise's departments by other departments, such as:
 - Accounts payable, payroll, and general ledger services provided by the Accounting Department
 - Collections, banking, investment, tax title, benefits, and payroll services provided by the Treasurer/Collector Department
 - Personnel administration and insurance benefit processing services provided by the Human Resource Department

- The following **expenses**:
 - Information technology costs
 - Vehicle and property insurances
 - Legal services
 - Independent audit services
 - Actuarial services related to other postemployment benefits (OPEB)
 - Other costs that may be agreed to and documented

The Town Accountant will calculate indirect costs based on the prior fiscal year's appropriations net of capital and using either the actual, proportional, estimated support, or transactional methodology (described in Section B below) as appropriate for the particular cost category.

B. Explanation of Calculation Methodologies

1. **Actual cost** involves identifying the specific costs attributable to each enterprise based on documented schedules or bills payable, including debt service and insurance premiums.

2. The **proportional** method is a straightforward calculation of the enterprises' net-of-debt budget as a percentage of the total combined net-of-debt budget of the enterprise and the general fund. The resulting percentage is then applied against the total budget (including employee benefits) of each Town department that provides support to the enterprise or against the total cost of the specific type of expenditure.

3. A department or official may be able to provide a reasonable **estimate of support** (i.e., an estimate of the work hours spent supporting the enterprise). For example, the Town Accountant estimates an average of two hours weekly, or five percent of available time, on enterprise-fund-related activities (e.g., creating warrants, bookkeeping). This percentage would then be applied against the Town Accountant's salary and benefits, including health and life insurance, Medicare, retirement, and any workers' compensation.

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

4. The transaction-based method is calculated based on the number of transactions attributed to a service as a percentage of the whole. An example would be the total sewer bill collections processed by the Treasurer/Collector's Office as a percentage of the total number of collections of all types processed by that office. This percentage is applied against the Treasurer/Collector's total budget, including health and life insurance, Medicare, retirement, and any workers' compensation attributable to the department.

Formula:

Number of enterprise-related transactions / Total number of all like transactions processed by the non-enterprise department X Total budget plus benefits of the department processing the enterprise transactions = Indirect Departmental Salaries

C. Calculations by Cost Category

Following in this section are sample calculation method for discussion purposes. Before adopting this policy, Section C should be reviewed for current practices, possible modifications, and updated as necessary, expanding for any other costs that may be agreed to.

1. **Health and Life Insurances**

Costs for health and life insurances will be calculated using the actual method by adding up the actual amounts paid by the Town for the participating enterprise employees during the current fiscal year.

2. **Medicare**

The Town's Medicare cost represents the employer match of the Medicare tax charged to employees hired after April 1, 1986. Using the actual cost method and based on employee W-2s, the costs will be calculated as 1.45 percent of the total gross wages paid by the Town on behalf of eligible enterprise fund employees during the preceding calendar (not fiscal) year.

3. **Retirement**

Indirect pension costs will be calculated using a modified proportional methodology. Each enterprise fund is assessed the portion of the total annual contributory retirement assessment representing the enterprise fund department's employee compensation to the total employee compensation for the period reported to the Public Employee Retirement Administration Commission.

4. **Audit**

The costs for independent audits will be based on the proportional method. The proportion of each enterprise fund's annual net-of-debt budget within the Town's total net-of-debt operating budget shall be multiplied against the annual cost of the audit contract.

5. **Administrative Services**

The indirect costs for enterprise-related administrative services performed by the Accounting, Treasurer/Collector, and Town Manager Departments will be calculated using

the estimate of support method. It will be based on each department's annual estimate of the time required to perform the services for each enterprise fund.

INTERNAL REFERENCES

Policies	<ul style="list-style-type: none">▪ Annual Budget Process▪ Forecasting
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EXTERNAL REFERENCES

[M.G.L. c. 44 § 53F½](#)

Division of Local Services Informational Guideline Release 22-16: [Enterprise Funds](#)

Government Finance Officers Association Best Practice: [Indirect Cost Allocation](#)

INVESTMENTS

Applies to:	<ul style="list-style-type: none"> ▪ The Treasurer/Collector in the statutory duty to invest Town funds ▪ Board of Commissioners of Trust Funds in management and investment duties ▪ Town Manager and Finance Director's oversight responsibilities ▪ Any investment advisor(s) with whom the Treasurer/Collector contracts
Scope:	<ul style="list-style-type: none"> ▪ Goals, objectives, and allowable practices related to all the Town's short-term operating funds and its long-term reserve, investment, and trust funds ▪ Excluded are Town funds invested by the Worcester Regional Retirement Board
Date:	<ul style="list-style-type: none"> ▪ [Date]

PURPOSE

To ensure the Town's public funds achieve the highest possible rates of return that are reasonably available while following prudent standards associated with safety, liquidity and yield, this policy establishes investment guidelines and responsibilities. In addition, the policy has been designed to comply with the Governmental Accounting Standards Board's requirement that every community define and disclose its investment risk management strategy.

POLICY

The Treasurer/Collector will invest funds in a manner that meets the Town's daily operating cash flow requirements and conforms to state statutes governing public funds while also adhering to prudent investment standards. The Treasurer/Collector will manage all investments so as to achieve a fair market average rate of return within the context of all relevant statutory, safety, and liquidity constraints.

A. Investment Objectives

In priority order, the Treasurer/Collector's investment objectives shall be:

- **Safety:** Safety of principal is foremost, and the Treasurer/Collector will adhere to this policy's risk mitigation strategies for the purpose of preserving capital in the overall portfolio.
- **Liquidity:** The investment portfolio must remain sufficiently liquid to enable it to meet all reasonably anticipated operating requirements.
- **Yield:** The investment portfolio will be designed with the objective of attaining a fair market average rate of return throughout budgetary and economic cycles, in accordance with the Town's investment risk constraints and the portfolio's cash flow characteristics.

The Treasurer/Collector will ensure that all **short-term operating funds**, such as general funds, special revenue funds, bond proceeds, and capital project funds remain sufficiently liquid to pay all reasonably anticipated operating requirements and debt service.

For **trusts and other long-term funds** (e.g., stabilization funds, cemetery perpetual care, and any similar funds set aside for long-term use), liquidity is less important than growth. The Treasurer/Collector will pool any individual funds that are invested in the same institution while also maintaining each fund in its own account to allow for the proper proportioning of interest and any realized and unrealized gains or losses. All trust funds are under the Treasurer/Collector's control unless otherwise directed by their particular donor(s).

B. Standards of Care

If the Town accepts [M.G.L. c. 44, § 54 subsection \(b\)\(1\)](#), the Treasurer/Collector is authorized to pool and invest trust funds (and only trust funds) in accordance with the standards of care outlined in the Prudent Investor Act ([M.G.L. c. 203C](#)). If the (b)(1) subsection is not locally accepted, all investments by the Treasurer/Collector must comply with the more restrictive provisions found in [M.G.L. c. 44, § 54, 55, 55A](#) and [55B](#) and outlined in the table in Section D below. The Treasurer/Collector shall be relieved of personal responsibility for any individual security's credit risk or market price changes, provided that its purchase and sale agreement had been executed in accordance with the applicable statutes and the provisions of this policy.

C. Conflict of Interest

The Treasurer/Collector is prohibited from making a deposit in any bank, trust company, or banking company for which he or she is or has been an officer or employee at any time in the last three years. The Treasurer/Collector will refrain from any personal activity that may conflict with the proper execution of the investment program or that could impair or appear to impair the ability to make impartial investment decisions. The Treasurer/Collector will disclose to the Finance Director, Town Manager, and Select Board any large personal financial investment positions or loans that could be related to the performance of the Town's investments. Further, when contracting for any investment services, the Treasurer/Collector will adhere to requirements under [M.G.L. c. 30B](#) and the Town's [Procurement Conflict of Interest](#) policy.

D. Investment Instruments

Unless the Town has accepted M.G.L. c. 44, § 54 subsection (b)(1) for the investment of trust funds, all short- and long-term investments by the Treasurer/Collector must adhere to the guidelines and allowable investment instruments outlined below.

Instrument Type	Short-Term Funds	Long-Term Funds
Depository accounts in Massachusetts state-chartered banks, including savings, checking and NOW accounts, and money market deposit accounts	No limitations	No limitations
Certificates of deposit (CDs) in Massachusetts state-chartered banks only	Unlimited amounts and maturity up to three years	No limits on amounts or maturity dates

Instrument Type	Short-Term Funds	Long-Term Funds
The Massachusetts Municipal Depository Trust (MMDT), the State Treasurer’s investment pool for public entities	No limitations and the pool is liquid	No limitations
U.S. Treasury or other U.S. government agency obligations	Unlimited amounts and up to one year from date of maturity	No limitations
Bank-issued repurchase agreements (“repos”) secured by U.S. Treasury or other U.S. government agency	Maximum maturity of 90 days	Repos are by their nature short-term and therefore not appropriate for the growth objective of long-term funds.
Money market mutual funds	<ul style="list-style-type: none"> ▪ Must be registered with the Securities and Exchange Commission (SEC) ▪ Must have the highest possible rating from at least one rating organization ▪ These are liquid investments, so maturity term is not applicable 	<ul style="list-style-type: none"> ▪ Must be registered with the SEC ▪ Must have the highest possible rating from at least one rating organization
Common and preferred stock, investment funds, and any other type of investment instrument specified in the List of Legal Investments	Not allowed	<ul style="list-style-type: none"> ▪ The Town’s aggregate amount of long-term funds must exceed \$250,000 to invest in these. ▪ Investment in mortgages, collateral loans, and international obligations is prohibited. ▪ Cannot invest more than 1.5% of a particular fund in the stock of any single banking or insurance company ▪ Cannot invest more than 15% of total aggregated funds in banking or insurance company stocks

Note: This policy confines the allowed depository accounts only to those offered by Massachusetts state-chartered banks, a provision that is more restrictive than state statutes and the Massachusetts Collectors & Treasurers Association’s sample investment policy statement. The reason is that the MA-chartered banks’ depository accounts are fully insured through a combination of the Federal Deposit Insurance Corporation and the state’s Depositors Insurance Fund. However, funds placed in these banks’ mutual funds or annuity products are not covered by either insurance, and the Treasurer/Collector must manage those and any other type of investments in accordance with other applicable provisions of this policy.

E. Risk Tolerance Guidelines

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

Type of Risk	Mitigation Strategy
Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.	<ul style="list-style-type: none"> ▪ Investments in any of the following are safe from credit risk: state-chartered banks' depository accounts (including CDs), obligations backed by the U.S. Treasury or other U.S. government agency, and the MMDT. ▪ For any other investments, the Treasurer/Collector will only purchase investment grade securities highly concentrated in those rated A or better.
Concentration of credit risk is the risk arising from all funds being invested in a single issuer.	The Treasurer/Collector will diversify the portfolio among multiple issuers/institutions (see Section F).
Custodial risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Town would not be able to recover deposits or to recover collateral securities in the possession of an outside party.	The Treasurer/Collector will negate this risk by only making deposits at MA-chartered banks.
Custodial risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the Town would not be able to recover the value of an investment or to recover collateral securities in the possession of an outside party.	<ul style="list-style-type: none"> ▪ The Treasurer/Collector will review the financial institution's financial statements and its advisor's background to ensure it has proven financial strength, capital adequacy, and an overall positive reputation in the municipal investment industry (see Section F). ▪ If a security is to be held by a third-party custodian, the Treasurer/Collector must approve that party and verify that the security is held in the Town's name and tax ID number, as evidenced by its CUSIP (Committee on Uniform Security Identification Procedures) code.
Interest rate risk is the risk that interest rate changes will adversely affect an investment's fair market value.	The Treasurer/Collector will negotiate for competitive interest rates that are locked in for long terms.
Foreign currency risk is the risk that an investment will lose value as the result of an unfavorable exchange rate.	The Treasurer/Collector will negate this risk by not investing in any instruments with foreign currency exposures.

F. Diversification

The Treasurer/Collector will invest in a diverse portfolio to prevent overconcentration in any institution, issuer, or maturity type. Apart from money placed in the MMDT or obligations backed by

U.S. government agencies, the Treasurer/Collector will invest no more than 25 percent the Town's long-term funds with a single financial institution. In addition, the Treasurer/Collector will ensure compliance with the various allowable percentage thresholds for specific investment instruments and issuers set forth in the List of Legal Investments.

G. Selection of and Relationship with Financial Institutions

When selecting from among MA-chartered banks to hold short-term funds, the Treasurer/Collector will consider their fee structure, service efficiencies, and account management control features. For investing long-term funds, the Treasurer/Collector will also assess the soundness, stability and reputation of prospective financial institutions and dealers/brokers. Brokers must be recognized, reputable dealers and members of the Financial Industry Regulatory Authority. The Treasurer/Collector will require any brokerage houses and brokers/dealers wishing to do business with the Town to provide the following:

- Audited financial statements
- Form ADV Part 2 showing the broker/dealer to be actively registered with both the SEC and Massachusetts Secretary of State's Office and providing information on the types of services offered, fee schedule, disciplinary information, conflicts of interest, and the educational and business background of management and key advisory personnel
- Statement that the broker/dealer has read and will comply with this policy

The Treasurer/Collector will also consult the [Veribanc](#) rating service to select and monitor financial institutions. The Treasurer/Collector may invest in institutions rated green by Veribanc and will continue to review their ratings quarterly. If a bank's rating turns yellow, the Treasurer/Collector will request the bank provide a written explanation with an expected timetable for changing back to green. If the rating remains yellow for a second quarter, the Treasurer/Collector will consider liquidating all funds that are uninsured or uncollateralized. If any rating becomes red, the Treasurer/Collector will remove the money from the banking institution.

The Treasurer/Collector will review all banking and financial services at least annually to ensure their quality and the competitiveness of their fee structure and interest rates. On an annual basis, the Treasurer/Collector will also send letters to banks in the local region requesting them to report all usage of the Town's tax identification number as a means to ensure the number is used only by the Treasurer/Collector and no outside entities.

H. Reporting Requirements

The Treasurer/Collector will assess investment activity and keep the Finance Director, Town Manager, and Select Board apprised of any major changes by providing a report of investment activity annually or more often as needed. The investment activity report shall incorporate all of the Town's investment funds and include the following information at minimum:

- List of all the individual accounts and securities held at the end of the period

OTHER POSTEMPLOYMENT BENEFITS LIABILITY

Applies to:	<ul style="list-style-type: none"> Select Board, Finance Committee, Town Manager and Finance Director budget decision-making duties Treasurer/Collector job duties
Scope:	<ul style="list-style-type: none"> Budget decisions related to the Town’s OPEB liability Liability mitigation
Date:	<ul style="list-style-type: none"> [Date]

PURPOSE

To ensure fiscal sustainability, this policy sets guidelines for a responsible plan to meet the Town’s obligation to provide other postemployment benefits (OPEB) for eligible current and future retirees. It is designed to achieve generational equity among those called upon to fund this liability and thereby avoid transferring costs into the future.

BACKGROUND

In addition to salaries, the Town compensates employees with benefits earned during years of service to be received upon retirement. One such benefit is a pension, and another is a set of retirement insurance plans for health, dental, and life, which are collectively referred to as other postemployment benefits, or OPEBs. OPEBs represent a significant liability for the Town that must be properly measured, reported, and planned for financially.

POLICY

The Town is committed to funding the long-term cost of the benefits promised its employees. To do so, the Town will accumulate resources for future benefit payments in a disciplined, methodical manner during the active service life of employees. The Town will also periodically assess strategies to mitigate its OPEB liability. This involves evaluating the structure of offered benefits and their cost drivers.

A. Accounting for and Reporting the OPEB Liability

The Finance Director will obtain actuarial analyses of the Town’s OPEB liability every two years and will annually report the Town’s OPEB obligations in the financial statements that comply with the current guidelines of the Governmental Accounting Standards Board. The Town Manager will ensure that the Town’s independent audit firm reviews compliance with the accounting and reporting provisions of this policy as part of its annual audit and reports on these to the Select Board.



FINANCIAL OPERATION POLICIES

Fraudulent activity includes, but is not limited to, the following:

- 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 because 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 a duty to report any suspected fraudulent activity. Department heads are responsible for instituting and maintaining a system of internal controls to reasonably ensure the prevention and detection of fraud. All Town officials, department heads, and supervisory staff must familiarize themselves with the types of fraud that could occur within their areas of responsibility and be alert for any indications of such conduct. The Town Manager has primary responsibility for coordinating all fraud investigations.

C. Reporting Suspicion of Fraud

Any Town employee or official who suspects fraud or abuse has occurred will promptly report it to the Town Manager, who will duly post the matter for discussion in an executive session of the Select Board. If the suspected fraud involves the Town Manager, the employee/official will report it to the Chair of the Select Board or to a different member of the Board if the Chair is suspected to be involved. Whoever receives the initial report will document it in writing and include sufficient details to ensure a clear understanding of the issues raised.

The Town Manager is accountable for maintaining the confidentiality of all information related to a report of potential fraud, and the person making the report is protected from retaliation under the provisions of Section H below. The Town therefore strongly encourages individuals to put their names in reports; however, an anonymous report can be emailed to the Town Manager.

D. Security of Evidence

Upon receipt of a report of suspected fraud, the Town Manager will take immediate action to prevent the alteration, theft, or destruction of relevant records and assets. Such actions may include, but are not limited to:

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

E. Confidentiality and Media Relations

All participants involved in a fraud investigation will keep its details and results confidential so as not to violate any individual's expectation of privacy, and the Town Manager will ensure that all related documents are securely stored. No investigation-related verbal information or documents may be shared with anyone not formally assigned to the investigation. No person employed by or otherwise acting on behalf of the Town may make any comment to the media or any other party without explicit authorization from the Town Manager or Select Board.

F. Investigation

As soon as possible after receipt of a report of potential fraud or abuse, the Town Manager will schedule a Select Board executive session to consider the following:

- Is a formal investigation necessary, and if so, who will lead it?
- Is there an immediate need for legal assistance or advice?
- Is police involvement immediately necessary?
- Is there a need for any external support (e.g., forensic accountants, technology professionals)?
- Should the Select Board and Town Manager devise a media strategy on the issue?
- Is there a need to report the issue to any external parties?

The Town will investigate every non-anonymous report of suspected fraud. For any anonymous report, the Select Board will decide whether a formal investigation is justified based on the following:

- Credibility of the concern
- Seriousness of the issue (i.e., magnitude of negative impact to the Town)
- Sufficiency of details provided to enable an investigation

To begin the formal investigation, the Town Manager will consult with the Town Counsel to obtain guidance on next steps. From there, the Town Manager may also seek the involvement of the Finance Director, Police Chief, and other personnel as needed. The Town Manager may also recommend to the Select Board the employment of an outside consultant to lead the investigation, such as an independent auditor.

G. Conclusion of Investigation, Corrective Actions, and Disclosures

At the investigation's conclusion, the Town Manager or other assigned investigator will provide a written report of findings to the Select Board. If it supports a finding of fraud, the Town will pursue disciplinary action against any individual(s) involved and make every reasonable effort to recover any lost assets. On the advice of Town Counsel, the Select Board may also report the violation(s) to the local district attorney's office to pursue appropriate legal actions.

MA Office of the Inspector General webpage: [What is Fraud?](#) and [Fraud Reporting FAQ: What to Know](#)
MA Ethics Commission webpage [Summary of the Conflict of Interest Law for Municipal Employees](#)

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

& Benefits Coordinator or Finance Director based on a personnel action form (PAF) and supported by a collective bargaining agreement, classification schedule, salary administration plan, or personal services contract. The PAF must be signed by the appropriate department head, Town Accountant, and the Town Manager.

B. Responsibilities Related to Disbursement Processing

Every **Employee** is responsible for:

- Documenting on a biweekly time sheet the hours worked or leave time used by specific date
- Reviewing each paycheck to ensure that it accurately reflects all time worked and time accrual balances

Each **Department Head** is responsible for:

- Assuring that all purchases of goods and services conform to the state's procurement laws
- Verifying that adequate funds exist in the department's budget for every AP and payroll submission, attesting to the accuracy of each AP submission via physical or electronic signature for invoice(s) and payroll submissions
- Timely submitting of AP disbursement requests and time sheet updates to the accounting office

The **Payroll & Benefits Coordinator** is responsible for:

- Maintaining employee master file in Munis:
 - Receiving new employee information and other employee changes via PAF from the Town Manager and Human Resource offices
 - Updating leave time balances on both biweekly and annual accrual bases
- Verifying that all applicable payment tables (i.e., salary, overtime, premium, and accrual) are current and consistent with collective bargaining agreements, compensation schedules, or other authorized payment documents
- Processing biweekly payroll data in Munis:
 - Reviewing and entering payroll data in the Munis database based on departmental time sheet submissions
 - Reconciling preliminary Earnings and Deductions Proof (payroll proof) to control totals and forwarding it to the Town Accountant for review
 - Balancing final payroll proof components

The **Town Accountant** is responsible for:

- Reviewing AP submissions and supporting documentation, and reviewing timesheet and the preliminary payroll proof against the departments' payroll summary reports and any change notices validating:
 - Procurement laws were adhered to
 - The expense is legal (i.e., consistent with the intent of the appropriation)

Bylaws	<ul style="list-style-type: none"> ▪ Part I, Chapter 70, Salary Administration Plan
Policies	<ul style="list-style-type: none"> ▪ Antifraud ▪ Reconciliations

EXTERNAL REFERENCES

[M.G.L. c. 30B](#)[M.G.L. c. 41, § 41C](#)[M.G.L. c. 41, § 56](#)[M.G.L. c. 41, § 41](#)[M.G.L. c. 41, § 42](#)[M.G.L. c. 44, § 58](#)[M.G.L. c. 41, § 41A](#)[M.G.L. c. 41, § 43](#)[M.G.L. c. 44, § 64](#)[M.G.L. c. 41, § 41B](#)[M.G.L. c. 41, § 52](#)[M.G.L. c. 200A, § 9A](#)Massachusetts Municipal Auditor's and Accountants' Association: [Accounting Manual](#)Massachusetts Collectors & Treasurers Association: [Treasurer's Manual](#)

INTERNAL REFERENCES

Policies	<ul style="list-style-type: none">▪ Annual Audit▪ Annual Budget Process▪ Capital Planning▪ Forecasting▪ Reconciliations▪ Tax Recapitulation▪ Year-End Closing
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EXTERNAL REFERENCES

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

Accountant is responsible for consulting with grant administrators on grant budgetary matters, accounting for grants in the general ledger, monitoring grant expenditures for consistency with award requirements, tracking the timeliness of reimbursement requests, and distributing monthly reports of grant expenditures to departments. The Town Accountant will also maintain a database of all grants and grant activity from inception to closure.

A. Grant Opportunity Assessment

Well in advance of a grant application's due date, the departmental grant administrator will assess the opportunity in consultation with the Town Manager or School Superintendent (or designee), Town Accountant, and Treasurer/Collector. Below are the factors to be considered, at minimum.

Programmatic:

- Alignment of the grant's purpose with the Town's and department's strategic priorities
- Department's capacity to administer the grant through to closeout
- Office space, facilities, supplies, or equipment required
- Ongoing impact of the grant program after it is completed
- Compliance and audit requirements, particularly as they may differ from the Town's

Financial:

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

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

B. Grant Application and Award Acceptance

Prior to filing any grant application, the grant administrator will submit a request for preapproval from the Town Manager (or the Lunenburg School Committee, when applicable) with a report summarizing the grant and how it complies with this policy. The Town Manager will then decide as to whether any preapproved application should be submitted to the Town Counsel for legal review. Following this, the grant Manager will submit the grant application to the grantor and forward a copy to the Town Accountant.

Upon preapproval by the Town Manager (or School Committee), the grant administrator will submit it as a meeting agenda item for the Select Board (or the School Committee) to formally accept by signature and thereby approve the expending of grant funds. The grant administrator will then send copies of the signed agreement to the grantor and the Town Accountant.

Upon receiving the grant documents, the Town Accountant will create the appropriate general ledger account to record the grant activity separately from regular expenses. Federal grants will be identified by including the CFDA (catalogue of federal domestic assistance) number. When notified of any amendment or adjustment by the grantor, the grant administrator will immediately forward the information to the Town Accountant, who will make adjustment(s) to the grant's budget in the general ledger.

C. Grant Financial Management

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

The grant administrator will ensure all expenditures made are allowable and consistent with each grant award's requirements. The grant administrator will submit project invoices to the Accounting Department consistent with the Town's Disbursements policy. The grant administrator will ensure the proper payroll account codes for grant-funded employees are reported on the department's submission to the Payroll & Benefits Coordinator as part of the regular payroll process.

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

To minimize the use of advanced Town funds, every grant administrator will request reimbursements as often as the grant's guidelines allow and always no later than June 15. In doing so, the grant administrator will prepare all required reports and requests as detailed in the agreement and submit these to the grantor. Immediately following each submittal, the grant administrator will send an email notification of the reimbursement request to the Town Accountant and Treasurer/Collector. When received, the Town Accountant will reply to the email confirming receipt and recording to the general ledger.

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

D. Grant Closeout

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

Upon receipt of the closeout package, the Town Accountant will put the general ledger's grant account into inactive status and will reconcile the grant administrator's report with the general ledger's record of grant activity. The grant administrator will subsequently submit the final

reimbursement request to the grantor or, if a refund is due, the Town Accountant will add the refund amount to the accounts payable warrant. Additionally, the Town Accountant will determine if the grant account has been over expended and will either apply the expense to the operating budget or propose an appropriation from other available funds.

E. Audit

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

INTERNAL REFERENCES

Policies	<ul style="list-style-type: none"> ▪ Antifraud ▪ Disbursements ▪ Reconciliations
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EXTERNAL REFERENCES

[M.G.L. c. 40, § 5D](#)

[M.G.L. c. 41, § 57](#)

[M.G.L. c. 44, § 53A](#)

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

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

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

CFDA in Assistance Listings - System for Award Management: [SAM.gov](#)

PROCUREMENT CONFLICT OF INTEREST

Applies to:	<ul style="list-style-type: none">▪ Town Manager, serving as the Town’s chief procurement officer▪ Finance Director’s oversight responsibilities▪ All other Town employees, officials, and others working on the Town’s behalf who are involved with any procurement and contract process▪ Prospective contractors
Scope:	<ul style="list-style-type: none">▪ Guidelines for vetting conflicts of interest related to all procurements of the Town
Date:	<ul style="list-style-type: none">▪ [Date]

PURPOSE

To ensure integrity in the procurement process, this policy sets guidelines for vetting potential conflicts of interest.

POLICY

The Town is committed to ethical business practices, professional integrity, and compliance with all procurement laws and regulations. Lunenburg will provide fair opportunities to participants in competitive processes for the award of Town contracts. Process integrity will be reinforced by the practices outlined here to ensure confidentiality during the bid evaluation process and to assess and address conflicts of interest in all competitive solicitations. The Town will investigate all allegations of conflict of interest or procurement misconduct brought to the attention of Town staff. Parties subject to this policy shall comply with [M.G.L. c. 268A](#).

A. Confidentiality during the Bid Evaluation Process

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

The departmental purchasing employee will:

1. Identify all participants of a bid evaluation process who receive proposals or other documents used in the process, including any non-evaluating observers.
2. Ensure that these participants sign confidentiality agreements.
3. Submit the confidentiality agreements to the Town Manager.

The Town Manager will:

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

B. Conflict of Interest in Procurement

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

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

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

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

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

C. Conflict Disclosure and Review

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

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

1. Employees, officials, and others who regularly participate in contract activities on behalf of the Town must disclose relevant financial interests as required by state and federal laws and

to annually review those statements in conjunction with this policy and other ethical standards.

- 2. Other persons involved in procurement must review this policy and other ethical standards and provide information 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 Town Counsel.

The departmental purchasing employee will:

- 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 Manager prior to commencing any procurement or contract activity.

The Town Manager will:

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

D. Compliance Reviews

The Town Accountant, under the direction of the Finance Director and Town Manager, will conduct random reviews of compliance with this policy. All procurement activities are also subject to audit by Lunenburg’s independent auditor.

INTERNAL REFERENCES

Policies	▪ Antifraud
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EXTERNAL REFERENCES

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

[M.G.L. c. 41, § 57](#)

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

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

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

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

RECONCILIATIONS

Applies to:	<ul style="list-style-type: none"> ▪ Finance Director’s oversight responsibilities ▪ Town Accountant in keeping the general ledger up to date ▪ Treasurer/Collector in maintaining a cashbook ▪ Payroll & Benefits Coordinator managing payroll and associated withholdings ▪ Treasurer/Collector and all other personnel within the Town, who have responsibility either for managing a receivable account and/or a special revenue fund
Scope:	<ul style="list-style-type: none"> ▪ The periodic reconciliation of cash, receivables, and special revenue fund records within departments and of those departmental records with the general ledger
Date:	<ul style="list-style-type: none"> ▪ [Date]

PURPOSE

To ensure transactions are in balance, mitigate fraud, safeguard general ledger accuracy, and maximize certifications of free cash, financial officers must conduct regular reconciliations of their accounting records, and these must be reconciled to the general ledger. Although each financial officer is responsible for maintaining independent records of his or her office’s transactions, they are also collectively accountable for the overall accuracy of Lunenburg’s financial records.

POLICY

Under the direction of the Finance Director, the Treasurer/Collector, and every department head responsible for managing a receivable account and/or special revenue fund will internally reconcile their respective accounting records and subsequently reconcile them with the Town Accountant according to the guidelines and periodic time frames outlined in this policy. Although each financial officer is responsible for maintaining independent records of his or her office’s transactions, they are also collectively accountable for the overall accuracy of Lunenburg’s financial records.

POLICY SUMMARY

Records of Account to be Reconciled	Record Keeper	Reconciliation Time Frames
Cashbook	Treasurer/Collector	<ul style="list-style-type: none"> ▪ With online bank data daily ▪ Month-end close by the 10th of the following month ▪ To the general ledger by 15th of each month
Payroll withholdings	Payroll & Benefits Coordinator	<ul style="list-style-type: none"> ▪ Internally, by the 10th of the following month ▪ To the general ledger by 15th of each month
Collector’s receivables	Treasurer/Collector	<ul style="list-style-type: none"> ▪ Month-end close by the 10th of the following month ▪ To the general ledger by 15th of each month
Other departments’ committed receivables	Departmental record-keepers	<ul style="list-style-type: none"> ▪ Internally, within 10 days of the end of each fiscal year quarter ▪ To the general ledger by the end of the month following each quarter-end
Special revenue funds	Departmental record-keepers	<ul style="list-style-type: none"> ▪ Internally, within 10 days of the end of each fiscal year quarter ▪ To the general ledger by the end of the month following each quarter-end

A. Cashbook Reconciliation

To ensure an accurate accounting of all revenue activity, the Treasurer/Collector will maintain a cashbook that contains up-to-date and accurate information for all cash and assets. To do so, the Treasurer/Collector will make certain that every cash receipt, disbursement, transfer, and interest accrual is recorded in the cashbook within two business days of each transaction. The Treasurer/Collector will reconcile cashbook accounts to their corresponding bank accounts weekly and will complete full-month bank reconciliations within 10 days after the end of the month. These will include zero-balance vendor and payroll bank accounts, whose balances must equal the outstanding checks at the end of any month.

The Treasurer/Collector will identify all reconciling items, including deposits in transit, bounced and voided checks, and discrepancies between the cashbook and financial institutions, and will document the reason for the discrepancy or correct them when appropriate. The Treasurer/Collector will then forward a cash activity summary report with the cashbook balances to the Town Accountant.

B. Payroll Withholdings Reconciliation

Payroll withholdings include federal and state taxes, child support and other wage assignments for legal obligations, deferred compensation, optional insurances, association dues, and other employer-sponsored options. At the conclusion of each pay cycle, the Payroll & Benefits Coordinator will forward a summary report of withholdings subject to vendor invoices (i.e., insurances) to the Town Accountant to be recorded in separate general ledger agency accounts and disbursed through the accounts payable process.

To reduce the risk to the Town for liabilities in excess of withholdings, the Payroll & Benefits Coordinator will conduct monthly reconciliations of these payroll withholdings to their corresponding accounts payable, identify any discrepancies, document the results of these activities, and make any necessary payroll changes or adjustments. The Town Accountant and Payroll & Benefits Coordinator will verify and reconcile payments for all other withholdings and deductions that are automatically issued through the payroll system via electronic fund transfers or check to the actual disbursements.

C. Accounts Receivable Reconciliation

Accounts receivable are outstanding monies owed to the Town, whether from committed bills (i.e., taxes, excises, liens, foreclosures, sewer charges) or from uncommitted department invoices (e.g., police details, recreation programs, etc.). To ensure these assets are accounted for and balanced, the Town Accountant and any department head with accounts receivable duties (each referred to here as “record-keeper”) will ensure that all cash receipts are recorded timely, maintain a control record for each receivable type and levy year (if applicable), and verify the detail balance agrees with the receivable control.

The receivable control is a record of original entry in which a record-keeper reduces a list of receivables according to processed collections (as well as abatements and exemptions, when applicable) and increases it by issued refunds. To maintain accuracy, the record-keeper must review

the detailed list of receivables, identify credit balances as prepaid amounts, or investigate them for possible correction, and reconcile the control balance to the detail.

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

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

Within 10 days after every month-end, the Treasurer/Collector will summarize the Munis reports of all accounts receivables by bill type and levy year and forward the summary to the Town Accountant. The Treasurer/Collector will also make the detailed reports available to the Town Accountant for reference. This is a Schedule of Outstanding Receivables. Additionally, the other record-keepers will forward a copy of the internally reconciled accounts receivable balances to the Town Accountant. Quarterly, all record-keepers will provide a list of outstanding balances to the Town Accountant.

D. Special Revenue Reconciliation

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

E. General Ledger Reconciliation

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

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

- If the total amount of revenue reported in the cashbook does not agree with the amount recorded in the ledger for that month, the Treasurer/Collector must verify that the monthly Munis revenue report agrees by detailed amount and classification with the cashbook and correct any errors.
- Compare the total amount of warrants paid during the month as recorded in the cashbook with the total recorded in the ledger for the same period. The last warrant paid must be the last one recorded; otherwise, a timing problem will create a discrepancy.
- If the records still do not agree, the Treasurer/Collector and Town Accountant must trace each entry to the ledger until the variance is determined.

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

- Review the commitments, charges, payments, abatements, refunds, reclassifications, and adjustments in the general ledger, as appropriate for each 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 record-keeper. Therefore, the above steps must resolve any discrepancies between the receivable control and the ledger. If they do not, the record-keeper and Town Accountant must trace each ledger entry until they determine the reason for variance.

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

F. Time frames and Documentation

Employees subject to this policy will complete reconciliations of their internal accounting records early each month so that subsequent reconciliations to the general ledger take place no later than the 15th of the month following the one being reconciled. At each quarter-ending month, the Town Accountant will extend the cash reconciliation process to individually reconcile every general ledger account that directly corresponds to a specific bank account (e.g., stabilization funds, trust funds, guarantee bond deposits).

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

G. Audit

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

INTERNAL REFERENCES

Policies	<ul style="list-style-type: none">▪ Antifraud▪ Disbursements▪ Grant Management▪ Revenue Turnover
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EXTERNAL REFERENCES

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

Massachusetts Municipal Auditor's and Accountants' Association: [*Accounting Manual*](#)

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

EFFECTIVE DATE

This policy was adopted on [date].

REVENUE TURNOVER

Applies to:	<ul style="list-style-type: none"> ▪ Finance Director's oversight responsibilities ▪ Treasurer/Collector, as the Town's cash manager, and Treasurer/Collector Department staff ▪ All other individuals and department heads with responsibility for handling payments ▪ Town Accountant in the duty to keep the general ledger up to date
Scope:	<ul style="list-style-type: none"> ▪ Guidelines for managing all cash, check, credit card, and other forms of payment received by all Town departments for taxes, excises, fees, charges, and intergovernmental receipts, from the departmental level through Treasury and Accounting duties
Date:	<ul style="list-style-type: none"> ▪ [Date]

PURPOSE

To safeguard Town assets and maximize cash flow, this policy 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 properly and timely secured, recorded, and deposited in Town bank accounts.

POLICY

By [M.G.L. c. 41, § 35](#), the Treasurer is given charge of all revenue receipts of the Town. To minimize the risk of any revenue lags or losses, every department that receives payments must accurately account for the funds and turn them over to the Treasurer/Collector's Office according to the timing and protocols outlined in this policy. As called for here, the departmental staff and Treasurer/Collector will separately notify the Town Accountant of the money turned over and accepted, respectively. This check-and-balance control enables the Town Accountant to effectively track receipts within the general ledger per [M.G.L. c. 41, § 54](#), while also maintaining complete separation from any cash handling functions.

The head of each department that receives payments is responsible for instituting and employing internal controls designed to ensure that all receipts are recorded accurately, kept secure from loss or theft, and turned over timely to the Treasurer/Collector. Each department will turn over at least weekly and must do so by the end of the day when cash receipts total \$250 or more. At each month's end, departmental staff will turn over all revenues no later than 11:00 am on the last business day of the month.

To indemnify the Town from potential loss or theft of receipts, the Finance Director will ensure that surety bonds are maintained for all individuals responsible for handling payments. All employees who handle the receipt of money must be trained in this policy by the Treasurer/Collector.

A. Receiving Payments

Using prenumbered receipt books, assigned departmental staff must issue a receipt for every payment received, even when the payer attempts to refuse it. These departmental staff must identify

the forms of payment (check, cash, or credit card) in their receipt books. As the exception, employees in the Treasurer/Collector's office receiving taxes and other collections from the public need only issue receipts for cash payments. Every staff person who receives a check will immediately endorse it "For Deposit Only" using a stamp or by handwriting. Every department receiving payments shall secure them in a locked cash box or safe until completing a turnover to the Treasurer/Collector.

The School Department's business office deposits lunch and certain other activity receipts into Town bank accounts as directed by the Treasurer/Collector. If the activity occurs on weekends or holidays, a bank deposit must be made using night deposit bags.

Each department head is responsible for overseeing the processing, recording, record retention, and turning over of receipts to the Treasurer/Collector. To the extent practicable, separate individuals should be tasked with 1) receiving and endorsing payments, 2) recording payments in the departmental log, 3) depositing receipts in the bank (if applicable for the department), and 4) turning receipts over to the Treasurer/Collector.

B. Turning Over Revenues

Departmental staff will fill out a Schedule of Departmental Payments to the Treasurer (i.e., the turnover form), obtain the department head's signature on it, and make two copies of it. Every listed receipt should tie back to a receipt book entry and to the receipt logs maintained by the department head. Departmental staff will deliver the turnover package in person and at no time may leave any unattended turnovers in the Treasurer/Collector's office or elsewhere in Town Hall. Any deposit made by a department official will attach a copy of the bank deposit slips to the turnover form.

No less than weekly and at month-end, the Treasurer/Collector will complete an internal turnover of all the collections processed during that period for taxes and other committed receivables. The turnover form will report all the collections summarized by receipt type, which must reconcile to the bank deposits for the same period.

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

The head of every department that receives payments will review the Munis Payments Report monthly revenue reports to verify all turned over receipts have been accurately recorded in the appropriate general ledger accounts and report any discrepancies to the Town Accountant.

C. Receiving Turnovers

When presented with the turnover, Treasurer/Collector staff will count the receipts in the presence of the authorized department employee. Any inaccuracies on the turnover forms will be corrected

on them at that time and initialed by both parties. The Treasury staff member will then sign the turnover copies and return two of them to the departmental employee.

Within 24 hours of receiving the turnover, the Treasurer/Collector (or designated staff) will enter the receipt data in Munis Receipts module and will deposit any checks received via remote scanner. The Treasurer/Collector will complete a bank deposit for the cash for each payment batch and bank deposit daily. Until the deposit is completed, the Treasurer/Collector will ensure that all receipts are secured, either in a cash drawer or, if being held overnight, in a safe.

At the close of business each day, the Treasurer/Collector will review the Munis receipts postings, cash deposit slips, remote scanner, credit card, and online payment settlement reports. When all the activity ties out, the Treasurer/Collector will update the cashbook with all the deposit data and release and approve the Munis payment batches for the Town Accountant's review.

D. Insufficient Funds

Upon notification from the bank of an insufficient check or an invalid or otherwise unpaid electronic funds transfer (EFT), the Treasurer/Collector will create a Munis payment reversal batch to enter a negative deposit to the original revenue account, document the reason for the reversal, and notify the department responsible for the turnover. The Treasurer/Collector will also make a reversal entry in the cashbook, assigning it to the appropriate bank account.

The department head will prepare and send a non-sufficient funds notice to the issuer of the bounced check or rejected EFT. Payment of the original amount plus a \$25.00 penalty is due in 10 days and must be in the form of cash, money order, or certified check. The department will not accept repayment funds without the applicable penalty fee. The repayment plus fee will always be entered into a new payment batch as an original receipt.

It is the department head's (or designee's) responsibility to follow up on collecting the amounts owed. If the payment was for a license or permit, the department shall suspend the license or permit until the original amount and penalty have been paid. If it was for a committed receipt (e.g., tax bill), the commitment will be reinstated by the appropriate official and the usual collection procedures followed.

E. Updating the General Ledger

The Town Accountant will select the payment batch or batches to post to the general ledger. The Town Accountant will compare the selected receipt batches with the turnover reports received from the departments and investigate any discrepancies with the Treasurer/Collector and the originating department. When the Munis batches reconcile properly with the turnover reports, the Town Accountant will post the data to the Munis general ledger.

F. Audit

All cash management activity is subject to review by the Finance Director, Town Accountant, and the Town's independent auditor. Further, the Finance Director will conduct random, periodic audits of departments' revenue turnover procedures to ensure adherence to this policy.

INTERNAL REFERENCES

Policies	▪ Reconciliations
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EXTERNAL REFERENCES

[M.G.L. c. 41, §35](#)

[M.G.L. c. 41, § 57](#)

[M.G.L. c. 44, § 69](#)

[M.G.L. c. 60, § 57A](#)

Massachusetts Municipal Auditor's and Accountants' Association: [Accounting Manual](#)
Massachusetts Collectors & Treasurers Association's *Treasurer's Manual* and *Collector's Manual*

TAILINGS

Applies to:	<ul style="list-style-type: none"> ▪ Finance Director's oversight responsibilities ▪ Treasurer/Collector, Town Accountant, and all Department Heads job duties ▪ Payees of Town disbursements
Scope:	<ul style="list-style-type: none"> ▪ Managing uncashed checks, including notifying payees, handling claims, and escheating unclaimed funds to the general fund
Date:	<ul style="list-style-type: none"> ▪ [Date]

PURPOSE

To minimize the negative impact of uncashed checks on cash position certainty, to provide appropriate opportunities for payees to claim uncashed checks, and to properly recover unclaimed funds for the Town's general fund, this policy sets guidelines for the resolution of tailings.

BACKGROUND

A tailing is a form of unclaimed property that results from a disbursed but uncashed check, and it represents a debit liability on the Town's books. It can arise from any treasury check issued to pay an employee or vendor, refund a municipal tax or charge, or pay any other municipal obligation. Having accepted [M.G.L. c. 200A § 9A](#), the Town can expedite tailing resolutions and escheat to the Town's general fund the funds that remain unclaimed at the completion of the process rather than surrendering the money to the state, as would be required otherwise. This policy sets forth the steps that must be taken to properly manage tailings under § 9A.

POLICY

Periodically throughout the year, the Treasurer/Collector, relevant department heads, and the Town Accountant will work together to resolve accumulated tailings, either by prompting actual pay outs or through escheatment to the Town.

A. Monthly Management of Tailings

As part of the monthly cash reconciliation, the Treasurer/Collector will review the accounts payable bank accounts online to determine which checks have been cashed by recipients and update their status in bank reconciliation. Under the Finance Director's direction, the Treasurer/Collector will identify all accounts payable and payroll checks outstanding 30 days or more after issuance and email the department head associated with each of them to follow up with the payee. The department head will attempt to contact the payee by phone to determine why the check has not been cashed. For all checks still outstanding two weeks after notices to departments, the Treasurer/Collector will send an uncashed check notice to the payees at their last known addresses.

Every month, the Treasurer/Collector will also identify all checks that are uncashed one year after being issued and notify the bank to stop payment. At this point, the checks may still be claimed by the payees but will require reissuance. The Treasurer/Collector will provide a report of the stop-paid checks to the Town Accountant, who will then record the funds as abandoned property liability in the general ledger.

B. Yearly Review

At least once a year, the Treasurer/Collector will review the accumulated inventory of stop-paid tailings and do the following:

1. List the payee names on the Town's website for a minimum of 60 days under the heading: "Notice of names of persons appearing to be owners of funds held by the Town of Lunenburg and deemed abandoned." This posted notice will detail the process to claim funds and state a deadline for making a claim that is not less than 60 days after the initial posting date of the notice on the website.
2. For all checks still unclaimed after the website deadline, publish in *The Lunenburg Sun* a notice in the same form as the website posting but stating a new claim deadline not less than 60 days after the publication date.
3. For checks of \$100 or greater that remain uncashed after the publication deadline, publish a second notice in the same newspaper with the same language as the previous except with a deadline for claiming the funds at least one year after the new publication date.
4. Schedule a calendar prompt one year after the second publication date to review all the published checks again. When the prompted date occurs, notify the Town Accountant of all those that are still unclaimed at that time.

C. Check Claiming

If a payee submits a claim to the Treasurer/Collector within the given deadline, or at any time before the funds are escheated, the Treasurer/Collector will review the claim and determine its validity.

- If the claim is deemed valid, the Treasurer/Collector will submit the amount to the Town Accountant for inclusion on the next disbursement warrant.
- If the claim is deemed invalid, the Treasurer/Collector will segregate the funds into a separate, interest-bearing account and notify the claimant of this action within 10 days. Within 20 days after receiving this notice, the claimant may file an appeal at Fitchburg District Court (or at Worcester County Superior Court if the amount is \$50,000 or more).
- If the court rules for the claimant, the Treasurer/Collector will submit the tailing amount, along with any interest, to the Town Accountant for inclusion on the next disbursement warrant after receiving the court order.
- If the court rules against the claimant, or if the Treasurer/Collector receives no notice of any court appeal being filed within one year of the Treasurer/Collector's notice to the claimant that the funds were being withheld, the Treasurer/Collector will notify the Town Accountant to escheat the total tailing and interest amount.

D. Escheatment

Upon receipt of a notice from the Treasurer/Collector as described in Sections B and C above, the Town Accountant will escheat the listed funds. This involves reversing the abandoned property liability and recognizing the funds as revenue in the general fund to be available for future appropriation by Town meeting for any public purpose.

INTERNAL REFERENCES

Policies	<ul style="list-style-type: none">▪ Disbursements▪ Reconciliations▪ Select Board Policies and Procedures, Article III, Section 3.09 Tailings Policy
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EXTERNAL REFERENCES

[M.G.L. c. 200A, § 9A](#)

TAX ENFORCEMENT

Applies to:	<ul style="list-style-type: none"> ▪ Finance Director's oversight responsibilities ▪ Treasurer/Collector job duties ▪ Town's contracted tax title attorney
Scope:	<ul style="list-style-type: none"> ▪ Enforcement of delinquent property tax liens ▪ Resolution of tax title accounts
Date:	▪ [Date]

PURPOSE

To provide guidance for equitably enforcing tax obligations and set expectations for both the Town and taxpayers, this policy clearly defines when and how the Town will transition unpaid property taxes from tax title through to foreclosure. It is in the best interest of the Town and its residents that property taxes be paid when due. The Town budget is set in anticipation of the collection of taxes, and taxes not paid by some property owners shift the cost burden onto others. The Town recognizes that individuals may go through periods of financial difficulty, but any taxpayer who becomes delinquent will be encouraged to find alternative resources to pay in full as soon as possible.

POLICY

The Town intends to timely pursue all legal methods to collect taxes from delinquent property owners with the aim of achieving a target 98 percent property tax collection rate by fiscal year-end. A tax delinquency is defined as a bill outstanding at least one day after its final due date, and it represents a lien on property that remains in effect until all taxes, interest, and fees have been paid in full. The costs of all collection methods are added to the real estate tax bill and property lien. The Town will also periodically pursue foreclosure actions with the primary objective of receiving all monies due.

Fiscal Year	Outstanding Real Estate Receivables	Outstanding Personal Property Receivables	Tax Levy	Outstanding Property Receivables	Tax Title Receivables	Foreclosure Receivables
2019	653,740	87,093	26,941,205	2.7%	1,158,515	30,691
2020	684,215	85,580	28,054,407	2.7%	1,394,376	46,668
2021	509,177	88,274	28,892,137	2.1%	1,444,083	47,179
2022	360,922	86,447	29,956,477	1.5%	799,078	47,179
2023	367,999	100,189	30,869,179	1.5%	876,357	47,179

Taxpayers are responsible for notifying the Town in writing of any mailing address changes.

A. Demands

Final taxes are due to be paid as of May 1 each year (the due date for the fourth quarter tax bill). No later than May 15, the Treasurer/Collector will issue demand notices to all assessed property owners who have failed to pay in full, have not been granted full exemptions, and do not have automatic stays on record due to bankruptcy filings.

B. Tax Taking

The Treasurer/Collector will begin the tax taking process within 90 days of the demand notice by serving warrant notice of the outstanding balance. State law allows the process to begin as soon as 15 days after the demand, but, in every case, the Treasurer/Collector must complete the takings within 3½ years from the end of the fiscal year for which the taxes were assessed to secure, or perfect, the tax liens. The Treasurer/Collector will work with delinquent taxpayers to delay the tax taking process as long as the taxpayer is making scheduled monthly payments of at least 25 percent of the outstanding tax.

The Treasurer/Collector will establish an annual tax taking schedule for all delinquent taxpayers who have failed to respond to the payment notices or meet their partial payment requirements. 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 within 30 days, the Treasurer/Collector will publish a Notice of Tax Taking in *The Lunenburg Sun* and post the notice on bulletin boards at the Lunenburg Public Library and Town Hall and on the Town's website. From this point forward until the day of the taking, only cash, certified check, or cashier's check are acceptable forms of payment.

Within 60 days of the date of the tax taking, the Treasurer/Collector will prepare an Instrument of Taking for each delinquent property and record them at the Worcester County Registry of Deeds to perfect the tax liens. After receiving the recorded Instruments back from the Registry, the Treasurer/Collector will notify the affected property owners of the liens by sending each of them a letter and a copy of the Instrument. The Treasurer/Collector will certify to the Town Accountant, Finance Director, and Town Manager the parcels and amounts of unpaid real estate reclassified as tax title.

The Treasurer/Collector shall carefully document the taking process and maintain all tax title records to determine redemption amounts and to establish a legal basis for a petition for foreclosure of the right of redemption with the Land Court.

C. Subsequent Taxes

After the demand bill and before June 15 each year, the Treasurer/Collector will certify all unpaid taxes for parcels of real estate taken into tax title for nonpayment of taxes in prior years and not yet redeemed and perform Subsequent Tax Takings. The Treasurer/Collector will certify to the Town Accountant, Finance Director, and Town Manager the parcels and amounts of unpaid real reclassified as tax title.

D. Interest, Fees, and License Revocation

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

The Treasurer/Collector will create a list of all the individuals who are delinquent in paying taxes or other charges and provide it to the Town departments, boards, and committees that issue licenses

and permits. These authorities will review the list to deny, suspend, or revoke delinquent taxpayers' licenses and permits.

E. Tax Title Payments

The Treasurer/Collector will pursue and establish written payment agreements for parcels in tax title to allow delinquent taxpayers to pay off their tax liens over time in a period not to exceed 24 months. The Treasurer/Collector will actively monitor compliance with all such agreements, which will have the following features in common:

- Signed agreement between the Treasurer/Collector and taxpayer.
- Upfront payment of at least 25 percent of the full balance owed.
- Maximum payment period is 24 months.
- Acknowledgement that the agreement is contingent on monthly payments no less than the agreed upon amount.
- Requirement that the taxpayer remain current with new tax bills on the property as they are issued.
- Payments must be made within five (5) days of the due date.
- The outstanding balance may be paid at any time without penalty.
- Failure to meet the requirements of the agreement will result in default.
- Defaulting on the agreement will trigger foreclosure action by the Town.

A taxpayer seeking a modification of the payment agreement must submit documentation to demonstrate the hardship in the ability to pay. The Treasurer/Collector may alter the existing agreement; however, in all cases, the date for final payment will remain as originally stated.

F. Redemption

If a taxpayer or other party pays the outstanding amount on a tax title property, the Treasurer/Collector will prepare an Instrument of Redemption and file it at the Worcester County Registry of Deeds, which removes the lien. Redemption can only be done prior to the property being foreclosed.

G. Foreclosure

The primary policy goal of the foreclosure process is to receive the outstanding amounts owed. At least once every year, the Treasurer/Collector will review all tax title properties for 1) default of a payment agreement and 2) unpaid balance older than six (6) months and not subject to bankruptcy recordings. From these, the Treasurer/Collector will identify all properties of significant value and thoroughly verify the properties' enforcement histories before referring them to the tax title attorney, beginning with those having the largest dollar value of taxes owed. The Treasurer/Collector will determine if there are any mortgages on the properties, and if so, notify the mortgagee of the tax title status and possible foreclosure proceedings.

As manager of the service contract, the Treasurer/Collector will ensure the tax title attorney complies with the objectives laid out in this policy section. The Treasurer/Collector will work with the tax title attorney to prepare parcels in tax title status for foreclosure, beginning by providing each Instrument of Taking. The tax title attorney will research the tax title properties and mail new collection enforcement letters to the taxpayers telling them of the importance of redeeming the property and warning of forthcoming foreclosure action. If the obligation remains unpaid, the tax title attorney will proceed with foreclosure action by filing a Petition to Foreclose Rights of Redemption in Land Court, possibly resulting in auctioning of the property.

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

Upon Land Court’s issuance of a foreclosure decree, the Treasurer/Collector will notify the Principal Assessor, Town Accountant, and Town Manager. The Treasurer/Collector will update the tax title account to mark the property as foreclosed, the Town Accountant will reclassify the receivable, and the Principal Assessor will update the property data base reflecting the foreclosed property as Town owned.³

INTERNAL REFERENCES

Bylaws	<ul style="list-style-type: none"> ▪ Part II, Chapter 168, Section 168-2 List of Delinquent Tax Payers
Policies	<ul style="list-style-type: none"> ▪ Antifraud ▪ Financial Management Team ▪ Reconciliations ▪ Select Board Policies and Procedures, Article III, Section 3.08 Tax Title Policy and Procedure

EXTERNAL REFERENCES

M.G.L. c. 40, § 42A	M.G.L. c. 60, § 22	M.G.L. c. 60, § 57
M.G.L. c. 40, § 42B	M.G.L. c. 60, § 35	M.G.L. c. 60, § 61
M.G.L. c. 40, § 42C	M.G.L. c. 60, § 37	M.G.L. c. 60, § 62
M.G.L. c. 40, § 42D	M.G.L. c. 60, § 40	M.G.L. c. 60, § 63
M.G.L. c. 40, § 42E	M.G.L. c. 60, § 50	M.G.L. c. 60, § 65
M.G.L. c. 40, § 42F	M.G.L. c. 60, § 53	M.G.L. c. 60, § 76
M.G.L. c. 40, § 57	M.G.L. c. 60, § 54	M.G.L. c. 60, § 77-77C
M.G.L. c. 60, § 6	M.G.L. c. 60, § 55	M.G.L. c. 60, § 79
M.G.L. c. 60, § 16	M.G.L. c. 60, § 56	M.G.L. c. 60, § 80

DLS Bulletin 2013-5: [Tax Title Foreclosure Surplus Proceeds](#)

³ The United States Supreme Court recently decided the case of *Tyler v. Hennepin County*, 598 U.S. 631 (2023) in favor of the taxpayer retaining surplus proceeds resulting from foreclosure. Pending additional clarification of this decision on Massachusetts foreclosure practices, DLS will not object to a community temporarily holding any such surplus proceeds in an agency account awaiting direction from the courts clarifying this matter. The treasurer should consult with their local counsel, town manager and finance team before proceeding with any funds in excess of the recorded foreclosure receivable.

DLS Best Practice: [Enforcing Collections](#), Guidance: [Local Tax Collection FAQs](#), and Informational Guideline Releases (annually updated): [Land of Low Value Foreclosure Valuation Limit](#)

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

TAX RECAPITULATION

Applies to:	<ul style="list-style-type: none"> ▪ Select Board and Town Manager policymaking and management responsibilities ▪ Board of Assessors as principal overseer of the tax recap process ▪ Finance Director, Principal Assessor, Treasurer/Collector, Town Accountant, and Town Clerk job duties
Scope:	<ul style="list-style-type: none"> ▪ Guidelines and responsibilities involved with setting an annual property tax rate and reporting it to the Division of Local Services (DLS)
Date	<ul style="list-style-type: none"> ▪ [Date]

PURPOSE

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

BACKGROUND

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

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

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

POLICY

At the Finance Director’s direction, Lunenburg’s financial team will annually complete the tax recap process no later than November 30th. The Finance Director will develop a realistic plan and timetable to meet this deadline and keep the Town Manager apprised of progress.

A. Preparation and Town Meeting

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

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

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

B. Recording Legislative Actions

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

- The Town Clerk will record and certify the voting minutes of all town meetings held since the last tax rate was set.
- The Town Accountant will review the Town Clerk's certified town meeting minutes to ascertain all the voter-authorized appropriation amounts for the tax recap period.
- When the Town Clerk and Town Accountant agree on the individual appropriations by revenue category, the Town Clerk will enter the amounts into the DLS Gateway system (by article on page 4 of the tax recap).
- From the certified town meeting authorizations, the Town Accountant will complete the following Gateway forms:
 - Enterprise Fund (Sewer, Water, Trash, PEG revenues and expenditures (Form A-2))
 - Free cash used (Form B-1)
 - Available funds used (Form B-2)
- When applicable, the Treasurer/Collector will prepare the debt exclusion report, including any use of reserved bond premiums (Form DE-1), and report any reserved bond premium amounts used as funding sources (Form B-2).

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

Within two weeks of closing the books for the fiscal year, the Town Accountant will do the following to complete the tax recap:

- Document and report all deficits or other expenditures that must be funded, including debt and snow and ice (page 2 of the tax recap)
- Record the actual amounts received for each type of local receipt (page 3, column (a) of the tax recap)
- Enter estimated local receipts using the revenue projections from the final budget approved at town meeting (page 3, column (b) of the recap)
- Record the actual amounts received for all the enterprise funds (A-2, column a)

D. Property Value Certification

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

- Update any prior-year omitted and revised assessments that included growth (Form LA-13A, which is transferred to the Levy Limit Worksheet) no later than June 20
- Complete the property sales report (Form LA-3) for all sales over \$1,000 and submit it to DLS for approval.
- Analyze market conditions and set final property values in compliance with DLS certification standards.
- Report the total assessed valuation for real and personal property by class (Form LA-4, which is transferred to page 1 of the tax recap).
- Report fiscal year tax base growth used to determine the levy limit under Proposition 2½ (Form LA-13, which is transferred to the Levy Limit Worksheet).

The Principal Assessor will submit the above forms to DLS for review and certification.

E. Tax Rate Setting

After DLS has certified property values, the Select Board will hold a public hearing for the Board of Assessors to present its analysis of valuation trends and for the Select Board to determine the Town's tax policy. At this classification hearing, the Select Board may vote for a single tax rate, which thereby allocates the tax levy proportionately across all property classes, or for a shift of the tax burden between the four classes. Leading up to and during this hearing, the following must be done:

- The Principal Assessor and Town Accountant prepare an overlay analysis (Form OL-1).
- The Board of Assessors estimates and votes the amount of overlay to raise.
- The Board of Assessors prepares a financial analysis of the various tax alternatives.
- The Town Clerk publishes an advance notice of the hearing and reports this on Form LA-5.
- The Select Board votes on residential, small commercial, and open space exemptions.
- The Select Board acknowledges excess levy capacity (Form LA-5).
- The Board of Assessors, or Principal Assessor as delegated, presents key changes in the town's real and personal property valuations, including relevant market trend analysis and valuation changes in excess of 10% from the prior fiscal year.

F. Review and Submittal to DLS

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

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

INTERNAL REFERENCES

Policies	▪ Financial Management Team
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EXTERNAL REFERENCES

[M.G.L. c. 40, § 56](#)

[M.G.L. c. 41, § 54A](#)

[M.G.L. c. 59 § 25](#)

[M.G.L. c. 40A, § 11](#)

[M.G.L. c. 59 § 5C](#)

[M.G.L. c. 41, § 15A](#)

[M.G.L. c. 59, § 21C](#)

DLS Informational Guideline Release 2023-1: [Fiscal Year 2024 Tax Bills Quarterly Payment System](#) (updated annually)

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

YEAR-END CLOSING

Applies to:	<ul style="list-style-type: none"> ▪ Select Board and Finance Committee in their budget transfer authority ▪ Town Manager and Finance Director oversight responsibilities ▪ Town Accountant and Treasurer/Collector job duties ▪ All Department Heads in managing and reporting on their budgets and assets
Scope:	<ul style="list-style-type: none"> ▪ Tasks necessary to close the fiscal year's books and complete required annual reports ▪ Protocol for year-end appropriation transfers
Date:	<ul style="list-style-type: none"> ▪ [Date]

PURPOSE

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

POLICY

The Finance Director will hold all department heads accountable for timely and accurately completing the year-end tasks applicable to them as outlined in this policy. All facets of the year-end closing will be accomplished no later than September 30.

Annually no later than May 15, the Town Accountant will transmit year-end instruction memo to department heads and provide them with the following submission deadlines:

- June 1: Status reports or updates on capital projects, capital assets, and borrowings
- June 10: Requests for fiscal year budget transfers requiring Select Board and Finance Committee approval
- June 15: Status reports on the balances of grants, other special appropriations, and special revenue accounts
- June 25: Requests for encumbrances/pending obligations
- June 30: All available invoices

A. Year-end Encumbrances

In response to notices from department heads of pending expense obligations from the fiscal year, the Town Accountant will encumber funds for them only if proper documentation confirms the funds have been committed to specific purchases (by purchase orders), services (by service agreements), or projects (by contracts).

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

By May 15, the Town Accountant will distribute management reports of all grant, special appropriation, and special revenue accounts to the responsible department heads to solicit status updates on each account. Each department head will confirm with the Town Accountant in writing of:

- Completed or discontinued project/purpose with an unexpended balance: either close to fund balance or reappropriate for another purpose.
- Potential funding source(s) for any account in deficit: whether revenue is anticipated to be received sufficient to cover the deficit by September 30, or if a year-end transfer (section D below) is appropriate.
- Balances for each grant, special revenue fund, and special appropriation that is to be carried forward to the next fiscal year.

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

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

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

For any identified deficits:

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

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

D. Year-end Transfers

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

authorizations. The Town Accountant will notify any department head whose budget is affected by the transfer.

E. Closing the Books

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

- Conduct a reconciliation of each fund type in turn (including transfers between funds) and, when completed, close each fund in the general ledger.
- Confirm that all encumbrances from the prior fiscal year have been closed.
- Verify the new opening balances of all carried forward accounts in the special revenue funds.
- Calculate the general fund's unreserved fund balance.

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

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

Finance Official	Schedule/Report	Date
Town Accountant	<ul style="list-style-type: none"> ▪ Snow and ice data sheet ▪ Balance sheet checklist ▪ Combined balance sheet and supporting documents ▪ Schedule A 	<ul style="list-style-type: none"> ▪ September 15 ▪ September 30 ▪ September 30 ▪ November 30
Treasurer/Collector and Town Accountant	<ul style="list-style-type: none"> ▪ Statement of indebtedness ▪ Treasurer's year-end cash report ▪ Cash reconciliation ▪ Schedule of outstanding receivables 	<ul style="list-style-type: none"> ▪ September 30 ▪ September 30 ▪ September 30 ▪ September 30

INTERNAL REFERENCES

Policies	<ul style="list-style-type: none"> ▪ Antifraud ▪ Capital Planning ▪ Grants Management ▪ Reconciliations
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EXTERNAL REFERENCES

[M.G.L. c. 44, § 33B](#)

[M.G.L. c. 59, § 5](#)

[M.G.L. c. 64, § 64](#)

DLS Informational Guideline Release 17-13: [Appropriation Transfers](#) and other guidance: [Annual Year-End Letters](#) and [Municipal Calendar](#)

Massachusetts Municipal Auditor's and Accountants' Association: [Accounting Manual](#)

Governmental Accounting Standards Board Statement 1: [Objectives of Financial Reporting](#)
Government Finance Officers Association Guidance: [Timely Financial Reporting](#)

POLICY LOG

FINANCIAL PLANNING

Policy	Adopted	Last Reviewed	Amended
Annual Audit			
Annual Budget Process			
Capital Planning			
Debt Management			
Financial Reserves			
Forecasting			
Indirect Cost Allocation			
Investments			
OPEB Liability			
Overlay			

FINANCIAL OPERATIONS

Policy	Adopted	Last Reviewed	Amended
Antifraud			
Cash Flow			
Disbursements			
Financial Management Team			
Grants Management			
Procurement Conflict of Interest			
Reconciliations			
Revenue Turnover			
Tailings			
Tax Enforcement			
Tax Recapitulation			
Year-End Closing			