

# FINANCIAL POLICY MANUAL | TOWN OF MONSON

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FEBRUARY 2022



**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 Technical Assistance Bureau (TAB) created a financial policy manual for the Town of Monson. It is divided into two parts, the first containing policies associated with financial planning and the second with day-to-day operations. All have been developed based on researched best practices tailored to the specific conditions of Monson. The manual is provided as a draft in Microsoft Word so that town officials can further adjust individual policies as needed based on local decisions and can add an effective date to each when adopted. As time passes, changes in circumstances, conditions, or guidance may warrant policy revisions, and we recommend the town conduct policy reviews every few years. The policy manual we created incorporates Monson's existing financial practices, both formal and informal.

Some of the operational policies refer to software applications currently being used by town departments, such as VADAR and Harpers. If new systems are implemented, those policies should be revised accordingly. In addition, please note that there are two policies that require specific town meeting action before they can be adopted as presented here.

Tailings: This policy has a section on an alternative procedure for disposing of abandoned funds held in the custody of the town, which requires town meeting acceptance of [M.G.L. c. 200A, § 9A](#).

Tax Enforcement: This policy has a section on tax title payment agreements, which require a bylaw for implementation per [M.G.L. c. 60, § 62A](#). The following text may serve as a template:

### **Chapter X, Section X: Payment Agreements for Properties in Tax Title**

- X.1.1 Pursuant to the provisions of M.G.L. c. 60, sec. 62A, the Treasurer/Collector will pursue and establish a written payment agreement with any person(s) entitled to redeem ownership of parcels taken by the Town for nonpayment of real estate taxes ("redeemer").
- X.1.2 Tax title categories eligible for payment agreements include [*specify criteria here, based on amount owed, assessed property value, length of delinquency, and/or any other criteria*].
- X.1.3 At the start of the agreement, the redeemer shall pay 25 percent of the total amount due.
- X.1.4 The agreement's maximum term shall be five years.
- X.1.5 Full compliance with agreement terms will result in a waiver of [*local decision: choose a percent up to 50 percent*] of the tax title account's accrued interest.

# MONSON MASSACHUSETTS

## FINANCIAL POLICIES MANUAL





## **PREFACE**

The Town of Monson 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 Monson, through its Select Board, Town Administrator, 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



# TABLE OF CONTENTS

FINANCIAL PLANNING.....	1
CAPITAL PLANNING .....	2
DEBT MANAGEMENT .....	5
FINANCIAL RESERVES .....	8
FORECASTING .....	11
INDIRECT COST ALLOCATION.....	14
INVESTMENTS .....	17
ONE-TIME REVENUES.....	22
OTHER POSTEMPLOYMENT BENEFITS LIABILITY .....	24
FINANCIAL OPERATIONS .....	27
ANTIFRAUD.....	29
CASH FLOW .....	33
CREDIT CARD USAGE.....	34
DISBURSEMENTS .....	37
GRANTS MANAGEMENT .....	40
PROCUREMENT CONFLICT OF INTEREST .....	43
PURCHASING.....	46
RECONCILIATIONS.....	49
REVENUE TURNOVER.....	53
TAILINGS .....	56
TAX ENFORCEMENT .....	59
TAX RECAPITULATION .....	62
YEAR-END CLOSING .....	66
APPENDIX .....	69
POLICY LOG.....	71
MUNICIPAL CALENDAR.....	72
CAPITAL PROJECT REQUEST FORM .....	77
CASH DRAWER AUTHORIZATION FORM .....	78
CREDIT CARD PURCHASE REQUISITION.....	79



# FINANCIAL PLANNING POLICIES

**CAPITAL PLANNING**

**PURPOSE**

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

**APPLICABILITY AND SCOPE**

Applies to:	<ul style="list-style-type: none"><li>▪ Select Board, Finance Committee, Town Administrator, Finance Director, and Capital Planning Committee in their budget decision-making roles</li><li>▪ Town Administrator and Finance Director job duties</li><li>▪ All department heads in planning for and requesting capital projects</li></ul>
Scope:	<ul style="list-style-type: none"><li>▪ All current and proposed capital projects for assets owned by the Town.</li></ul>

**POLICY**

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

The Town Administrator, with the assistance of the Capital Planning Committee (CPC), is charged with overseeing a comprehensive capital improvement program, which involves maintaining a capital asset inventory, prioritizing projects, analyzing funding, and creating a long-term financial plan achievable within the Town’s budget limitations. The CPC’s membership consists of the Town Administrator, Finance Director, one Finance Committee member, Treasurer, Town Planner, Town Clerk, and School Superintendent

A. Definition of a Capital Improvement

A capital improvement is a tangible asset or project estimated to cost over \$10,000 and to have or to extend three or more years of useful life. These include:

- Real property acquisitions, construction, and long-life capital equipment
- Major improvements to physical infrastructure, including streets, sidewalks, stormwater drains, and wastewater treatment systems
- Major renovations of existing capital items that extend their useful lifespans, as distinguished from normal operating expenditures
- Planning, feasibility studies, and designs for potential capital projects
- Items obtained under 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 \$10,000

## B. Inventory

To support a systematic acquisition and replacement schedule, the Finance Director will annually update and maintain a detailed inventory of all capital assets, which 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

The CPC will review capital project requests submitted by department heads as part of the annual budget process. At the end of its work, the Town Administrator will present the analysis, recommendations, and proposed funding sources to the Select Board and Finance Committee at separate meetings prior to the annual town meeting. The Finance Director will assist the Town Administrator during the presentation to the Finance Committee. The Town Administrator will also provide a copy of the recommendations to the Finance Committee for incorporation in the report published each year in advance of town meeting.

When evaluating and deciding on project proposals, CPC will assign a value to each capital request from 1 to 10 and consult the ordered priority list below:

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

## D. Multiyear Capital Improvement Plan

Based on the CPC's work, the Town Administrator will annually update and propose to the Finance Committee and Select Board a five-year capital improvement plan (CIP), including the upcoming fiscal year's capital budget and a four-year projection of needs and expenditures that details their estimated costs, descriptions, and anticipated funding sources.

## 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 capital 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, capital stabilization funds, retained earnings, and community preservation funds) 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.
- Major capital projects, such as new construction or major renovations to existing facilities, may be accomplished through capital or debt exclusions.
- Infrastructure or facility maintenance budgets built into the general operating budget will not be reduced to fund other departmental expenses.
- To the extent feasible, all capital projects associated with the water, sewer, and trash enterprise funds will be financed from user fees or retained earnings.

F. Betterment Assessment

Betterments will be assessed to property owner(s) for water and sewer extensions on the existing system. The betterment payment will be reserved for appropriation to pay for a portion of the project’s annual debt service. For any public improvement being proposed for betterment funding, the Town Administrator will present the following to town meeting:

- List of impacted property owners
- Factors used when calculating the betterments
- Estimated betterment assessments and revenue to be derived

**REFERENCES**

[M.G.L. c. 44, § 53J](#)

[M.G.L. c. 44, § 20](#)

[M.G.L. c. 80, § 13](#)

Monson policies on Debt Management and Financial Reserves

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

DLS Municipal Finance Legal Guidance: [Betterments & Special Assessments – Assessment and Collection Procedures](#)

Government Finance Officers Association Best Practice [Working Capital Targets for Enterprise Funds](#)

**FORMS**

Capital Project Request

**EFFECTIVE DATE**

This policy was adopted on [date].

## DEBT MANAGEMENT

### PURPOSE

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

### APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"><li>▪ Select Board, Finance Committee, Town Administrator, and Capital Planning Committee in their budget decision-making roles</li><li>▪ Treasurer's debt management responsibilities</li><li>▪ Finance Director's budget analysis and reporting duties</li></ul>
Scope:	<ul style="list-style-type: none"><li>▪ 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</li></ul>

### 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 in such a manner as to obtain the best long-term financial advantage and will limit the amount of debt to minimize the impact on taxpayers. 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.

#### 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 a minimum 10 years of useful life or whose useful lifespan will be prolonged by at least 10 years.
4. Refrain from using debt to fund any recurring purpose, such as current operating and maintenance expenditures.

5. Consider using revenue bonds, special assessment bonds, or other types of self-supporting bonds instead of general obligation bonds whenever possible.
6. Use special assessments, betterments, or similar dedicated revenues to fund long-term debt.
7. 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 in 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. As a control for maintaining consistent capital investment, the Town will seek to replace maturing debt obligations with new issuances or appropriations to the capital stabilization fund so that year-to-year debt service expenditures and savings are maintained at a target level representing four to six percent of general fund revenues. The Town will also seek to fund greater proportions of its debt issuances from within the annual tax levy (as opposed to seeking debt exclusions).
2. Total debt service, including debt exclusions and any self-supporting debt, shall be limited to 10 percent of general fund revenues.
3. As dictated by state statute, the Town's debt limit shall be five percent of its most recent equalized valuation.

## C. Structure and Term of Debt

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

1. The Town will attempt to maintain a long-term debt schedule such that at least 50 percent of outstanding principal will be paid within 10 years.
2. The term of any debt shall not exceed the expected useful life of the capital asset being financed and in no case shall it exceed the maximum 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. The Town will seek to maintain an average maturity of Town's total outstanding long-term debt at less than 10 years.
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 maximum term of any debt shall not exceed 20 years, unless mutually agreed to by Monson and the Financial Advisor.
7. Debt associated with the expansion of water or sewer services throughout Town, will be funded by assessing betterments based on the total project cost.
8. Any vote to authorize borrowing will include authorization to reduce the amount of the borrowing by the amount of the net premium and accrued interest.
9. 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.

#### D. Bond Refunding

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

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

#### E. Protection of Bond Rating

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

1. Maintain good communication 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.

#### F. Reporting

1. The Treasurer/Collector will report to the Finance Director, Town Administrator, and Select Board on the Town's debt status at least annually.
2. The Treasurer/Collector will include an indebtedness summary as part of a report on receipts and expenditures in the Annual Town Report.
3. 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.

#### **REFERENCES**

[M.G.L. c. 41, §§ 59, 61](#)

[M.G.L. c. 44, §§ 4, 6, 6A, 7, 8, 17, 19, 20, 21A, 53J](#)

[26 USC § 148](#)

Monson policy on Capital Planning

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

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

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

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

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

#### **EFFECTIVE DATE**

This policy was adopted on [date].

## FINANCIAL RESERVES

### PURPOSE

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

### APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"><li>▪ Select Board, Finance Committee, Town Administrator, and Capital Planning Committee in their budget decision-making roles</li><li>▪ Finance Director and Board of Assessors job duties</li></ul>
Scope:	<ul style="list-style-type: none"><li>▪ Goals for and appropriate use of general reserves, including free cash, stabilization funds, and overlay surplus</li></ul>

### 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. The Town will strive to maintain overall general fund reserves (i.e., free cash and stabilization funds combined) in the level of 10 to 15 percent of the annual operating budget.

#### 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 three to five percent of the annual general fund budget. To achieve this, the Finance Director with assistance from the Town Administrator will propose budgets with conservative revenue projections, and department heads will carefully manage their appropriations to produce excess income and budget turn backs. As much as practicable, 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. Furthermore, the Town will strive to keep its year-end unappropriated free cash balance at a minimum of 33 percent of the annual certification.

#### 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 four stabilization funds, as detailed below.

**General Stabilization:** The Town will endeavor to achieve and maintain a minimum balance of six to eight percent of the current operating budget in its general stabilization fund. Withdrawals from the fund should only be used to mitigate emergencies or other unanticipated events that cannot be supported by current general fund appropriations. When possible, withdrawals of funds should be limited to the amount available above the six percent minimum target. If any necessary withdrawal drives the balance below this minimum, the withdrawal should be limited to one-third of the fund's balance, and the Town Administrator will develop a detailed plan to replenish the fund to the minimum level within the next two fiscal years.

#### **Special Purpose Stabilization Funds:**

- **Capital Stabilization:** This fund's minimum target level shall be one to two percent of the general fund budget. By sustaining funding in this type of reserve, the Town can balance debt with pay-as-you-go practices and protect against unforeseen capital costs.
- **Assessor Stabilization:** Established to offset annual interim-year valuation adjustments and the costs associated with the five-year revaluation process. This stabilization is funded through an appropriation of free cash every five years.
- **Water Emergency & Capital Stabilization:** Established to offset future costs to the water enterprise fund infrastructure.

#### C. Retained Earnings

The finances of the Water, Sewer, and Trash Departments are managed under individual enterprise funds, separately from the general fund, which allows the Town to effectively identify each operation's true costs—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.

For each enterprise fund, the Town will maintain a minimum reserve amount of 25 percent of the operation's total budget, which represents three months' worth of expenditures. These reserves shall be used to provide rate stabilization and to fund major, future capital projects. Whenever any major infrastructure improvement is being planned for any enterprise operation, it may be necessary to revise its minimum target upward. To maintain the target reserve levels for the enterprise funds, the Water/Sewer Commissioners must annually review, and when necessary, adjust user rates.

#### D. Overlay Surplus

The purpose of the overlay reserve is to offset unrealized 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 types of general fund reserves, this policy does not set a funding target for the overlay. 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 following:

- Current balance in the overlay account
- Five-year average of granted abatements and exemptions
- Potential abatement liability of cases pending before, or on appeal from, the Appellate Tax Board
- Timing of the next DLS certification review (scheduled every five years)

At the conclusion of each fiscal year, the Board of Assessors will submit to the Town Administrator and Finance Director an update of the overlay reserve with data that includes, but is not limited to, the gross balance, potential abatement liabilities, and any transfers to surplus. If the balance exceeds the amount of potential liabilities, the Select Board may request that the Board of Assessors vote to declare those balances surplus and available for use in the Town’s capital improvement plan or for any other one-time expense.

**REFERENCES**

[M.G.L. c. 40 § 5B](#)

[M.G.L. c. 59 § 25](#)

[M.G.L. c. 44 § 53F½](#)

Monson’s policies on Capital Planning and Forecasting

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](#)

**EFFECTIVE DATE**

This policy was adopted on [date].

## FORECASTING

### PURPOSE

To assess the range of choices available to budget decision makers when determining how to allocate resources, this policy establishes guidelines for 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.

### APPLICABILITY AND SCOPE

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

### POLICY

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

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.

Early in the annual budget process, the Town Administrator will present the initial forecast to a joint meeting of the Select Board and Finance Committee. Throughout the budget process, these boards will use the forecast to inform their decision making. In addition, the Finance Director will promptly revise the forecast projections whenever circumstances change and provide updates to the Town Administrator, who will subsequently share them with the Finance Committee, Capital Planning Committee, and Select Board.

Before creating the initial forecast for a new fiscal year budget process, the Town Administrator and Finance Director will review the performance accuracy of the prior-year forecast and any evolving factors related to the underlying assumptions to consider how 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 Administrator 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 percent 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.

**B. Guidelines for Expenditure Assumptions**

Annually, the Town Administrator will direct the Finance Director to apply 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.

In addition, 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, school choice, tuition, and charter assessments will be factored.
- Only 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 Town will pay its annual pension contributions and make appropriations to amortize its other postemployment benefits liability.
- The Town will pay all existing debt service obligations and adhere to its Capital Planning and Debt Management policies.

**REFERENCES**

[M.G.L. c. 44, §§ 20, 53A, 53A½, 63, and 63A](#)

Monson policies on Capital Planning, Debt Management, Financial Reserves, and Indirect Cost Allocation

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

**EFFECTIVE DATE**

This policy was adopted on [date].

## INDIRECT COST ALLOCATION

### PURPOSE

To reimburse the general fund for all expenditures incurred on behalf of the water, sewer, and trash enterprise funds, this policy provides guidelines for equitably calculating and allocating those indirect costs.

### APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"><li>▪ Town Administrator, Finance Director, and Water/Sewer Superintendent job duties</li><li>▪ Finance Director, Treasurer/Collector in their related administrative functions</li><li>▪ Select Board, Finance Committee, and Town Administrator in their budget analysis and decision-making responsibilities</li></ul>
Scope:	<ul style="list-style-type: none"><li>▪ Encompasses the analysis, calculation, and accounting of the water, sewer, and trash enterprise fund indirect costs</li></ul>

### Background

Under authority established in [M.G.L. c. 44 § 53F½](#) the accounting transactions for the water, sewer, and trash 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 each enterprise funds 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 of the water, sewer, and trash enterprises and review them with the Town Administrator and Water/Sewer Superintendent. The Town Administrator, Finance Director, and Water/Sewer Superintendent will annually agree in writing to the indirect cost allocation methods and amounts prior to finalizing the budget. Indirect cost expenses will be determined using the most up-to-date cost information available to the Finance Director at that time. Based on the results, the Finance Director will record transfers between the relevant funds annually by June 15 of each fiscal year. The Finance Director 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:

- Water, sewer, and trash department **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 department 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's

- Personnel administration services provided by the Treasurer’s 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 Finance Director will calculate indirect costs based on the most recent fiscal year’s appropriations 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 the enterprise based on documented schedules or bills payable, including debt service and insurance premiums.
2. The **proportional** method is a straightforward calculation of the utility’s net-of-debt budget as a percentage of the total combined net-of-debt budget of the utility 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 utility 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 utility). For example, the Finance Director estimates an average of two hours weekly, or five percent of her time, on water, sewer, and trash-related activities (e.g., creating warrants, bookkeeping). This percentage would then be applied against the Finance Director’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.

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

### C. Calculations by Cost Category

*The text in this section provides sample calculations for discussion purposes. Before adopting this policy, Section C should be reviewed and updated as necessary, and it should be expanded for any other costs that may be agreed to, such as information technology, legal services, etc.*

#### **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 the proportional method. The Town's total annual contributory retirement assessment is multiplied by the respective proportion of each of the total enterprise fund department employee's compensation to the total employee compensation as reported to the Public Employee Retirement Administration Commission.

#### **4. Audit**

External audit costs will be based on the proportional method. The water, sewer, and trash enterprise fund departments shall pay the proportion of the cost of the Town's annual independent audit based on effort of the Town's independent auditor.

#### **5. Administrative Services**

The indirect costs for enterprise-related administrative services performed by the Accounting, Treasurer/Collector, and Town Administrator 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.

### **REFERENCES**

[M.G.L. c. 44 § 53F½](#)

Division of Local Services Informational Guideline Release 08-101: [Enterprise Funds](#)

Government Finance Officers Association Best Practices: [Indirect Cost Allocation](#) and [Evaluating Service Delivery Alternatives](#)

### **EFFECTIVE DATE**

This policy was adopted on [date].

## INVESTMENTS

### 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.

### APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"><li>▪ The Treasurer/Collector in the statutory duty to invest Town funds</li><li>▪ Any investment advisor(s) with whom the Treasurer/Collector contracts with</li></ul>
Scope:	<ul style="list-style-type: none"><li>▪ Goals, objectives, and allowable practices related to the Town's short-term operating funds and its long-term reserve, investment, and trust funds</li><li>▪ Excluded are Town funds invested by the Hampden County Regional Retirement System</li></ul>

### 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 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'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 so as to allow for the proper proportioning of interest and any realized and unrealized gains or losses. All trust funds are under the Treasurer's control unless otherwise directed by their donor(s).

**B. 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 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.

**C. Investment Instruments**

To ensure compliance with state statutes, the table below defines allowable investment instruments and guidelines.

<b>Instrument Type</b>	<b>Short-term Funds</b>	<b>Long-term Funds</b>
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
The <a href="#">Massachusetts Municipal Depository Trust (MMDT)</a> , 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"> <li>▪ Must be registered with the Securities and Exchange Commission (SEC)</li> <li>▪ Must have the highest possible rating from at least one rating organization</li> <li>▪ These are liquid investments, so maturity term is not applicable.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Must be registered with the SEC</li> <li>▪ Must have the highest possible rating from at least one rating organization</li> </ul>

Instrument Type	Short-term Funds	Long-term Funds
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"> <li>▪ The Town’s aggregate amount of long-term funds must exceed \$250,000 to invest in these.</li> <li>▪ Investment in mortgages, collateral loans, and international obligations is prohibited.</li> <li>▪ Cannot invest more than 1.5% of a fund in the stock of any single bank or insurance company</li> <li>▪ Cannot invest more than 15% of total aggregated funds in banking or insurance company stocks</li> </ul>

**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.

D. Risk Tolerance Guidelines

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

Type of Risk	Mitigation Strategy
<b>Credit risk</b> is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.	<ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ For any other investments, the Treasurer/Collector will only purchase investment grade securities highly concentrated in those rated A or better.</li> </ul>
<b>Concentration of credit risk</b> 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 E).
<b>Custodial risk for deposits</b> 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.

Type of Risk	Mitigation Strategy
<p><b>Custodial risk for investments</b> 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.</p>	<ul style="list-style-type: none"> <li>▪ 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).</li> <li>▪ 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.</li> </ul>
<p><b>Interest rate risk</b> is the risk that interest rate changes will adversely affect an investment’s fair market value.</p>	<p>The Treasurer/Collector will negotiate for competitive interest rates that are locked in for long terms.</p>
<p><b>Foreign currency risk</b> is the risk that an investment will lose value as the result of an unfavorable exchange rate.</p>	<p>The Treasurer/Collector will negate this risk by not investing in any instruments with foreign currency exposures.</p>

E. 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 of 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.

F. Selection of and Relationship with Financial Institutions

When selecting among MA-chartered banks to hold short-term funds, the Treasurer/Collector will consider their fee structures, 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.

#### G. Standards of Care

The Treasurer/Collector must review, understand and comply with the state's Prudent Investor Act ([M.G.L. c. 203C](#)). 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 have been carried out in accordance with the Act and the provisions of this policy.

#### H. Reporting Requirements

The Treasurer/Collector will assess investment activity and keep the Select Board, Town Administrator, and Finance Director 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 the Town's investment funds and include the following information at minimum:

- List of all the individual accounts and securities held at the end of the period
- List of short-term investment portfolios by security type and maturity to ensure compliance with the diversification and maturity guidelines
- Summary of income earned on monthly and year-to-date bases
- Disclosure of the fees associated with managing each fund
- Statement of market and economic conditions and other factors affecting the Town's cash position
- Statements on the degree of compliance with the provisions of this policy

<b>REFERENCES</b>
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[M.G.L. c. 30B](#)

[M.G.L. c. 29, § 38A](#)

[M.G.L. c. 44, §§ 54, 55, 55A, 55B](#)

[M.G.L. c. 110A, § 201](#)

[M.G.L. c. 167, § 15A](#)

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

[M.G.L. c. 40, § 5B](#)

[M.G.L. c. 44B, § 7](#)

Monson policies on Antifraud and Procurement Conflict of Interest

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

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

MA Division of Banks [List of Legal Investments](#) and database of [MA-chartered banks](#) and MA Secretary of State webpage [Registration Inspections, Compliance and Examinations Section](#)

Depositors Insurance Fund [FAQs](#)

SEC webpage [Form ADV Information](#)

<b>EFFECTIVE DATE</b>
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This policy was adopted on [date].

## ONE-TIME REVENUES

To promote structurally balanced budgets by ensuring that operational expenses are supported by recurring revenue sources, this policy sets guidelines for the use of one-time revenues. It is fiscally prudent to avoid using any one-time revenue source to finance any ongoing operations since that funding source, by definition, cannot be expected to reoccur. Doing this without identifying future available offsets effectively postpones difficult decisions necessary to achieve structurally sound and sustainable spending plans.

### APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"><li>Finance Committee, Select Board, Town Administrator, and Finance Director in their budget analysis and decision-making duties</li></ul>
Scope	<ul style="list-style-type: none"><li>Any source of revenue that occurs in isolation each year. These sources can include, but are not limited to, free cash, overlay surplus, sale of municipal assets, tax lien sales, insurance proceeds, and gifts</li></ul>

### POLICY

The Town will avoid using one-time revenues to fund ongoing or recurring operating expenditures. Instead, the Town will use the revenue to finance approved capital improvements, pay one-time expenditures, help reduce unfunded liabilities, or meet stated reserve goals before considering using any portion for operational needs. The Finance Director will inform the Town Administrator of an anticipated receipt of any sizable or extraordinary one-time revenues, and together they will thoroughly analyze them before proposing an appropriation.

In addition, the following shall be the Town's priority order for appropriating one-time revenues:

1. Cash capital budget
2. General stabilization fund
3. OPEB trust fund
4. Capital stabilization fund

Economic downturns or unanticipated fiscal stresses may compel reasonable exceptions to the use of one-time revenues. In such cases, the Finance Committee may recommend their use for operational appropriations and will develop a plan to avoid continued reliance on one-time revenues.

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

- Sale of real estate: [M.G.L c. 44, § 63](#) and [M.G.L c. 44, § 63A](#)
- Gifts and grants: [M.G.L c. 44, § 53A](#) and [M.G.L c. 44, § 53A½](#)
- Bond proceeds: [M.G.L c. 44, § 20](#)

### REFERENCES

[M.G.L c. 44, §§ 20, 63, 63A, 53, 53A](#), and [53A½](#)

Monson Forecasting Policy

Division of Local Services Informational Guideline Release 17-22: [Premiums and Surplus Proceeds for Proposition 2½ Excluded Debt](#)

**EFFECTIVE DATE**

This policy was adopted on [date].

## OTHER POSTEMPLOYMENT BENEFITS LIABILITY

### PURPOSE

To ensure fiscal sustainability, this policy sets guidelines for a responsible plan to meet the Town's obligation to provide other postemployment benefits (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.

### APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"><li>▪ Select Board, Finance Committee, and Town Administrator in their budget decision-making duties</li><li>▪ Bartholomew &amp; Company (Investment Manager)</li><li>▪ Treasurer/Collector and Finance Director job duties</li></ul>
Scope	<ul style="list-style-type: none"><li>▪ Budget decisions related to the Town's OPEB liability</li><li>▪ Liability mitigation</li></ul>

### 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 Administrator will ensure that the Town's independent audit firm reviews compliance with the accounting and reporting provisions of this policy as part of its annual audit and reports on these to the Select Board.

#### B. Trust Management and Investment

The Town has established an OPEB Trust Fund and designated as its trustee the Treasurer. As fund custodian, the Treasurer/Collector will manage the OPEB Trust Fund in conformance with the Town's investment policy and the state's prudent investor laws. On an annual basis, the Town will analyze its option to invest the OPEB trust with the [State Retiree Benefits Trust Fund](#).

The Town has chosen Bartholomew & Company as its investment manager. To make sure Bartholomew & Company follows the OPEB and Investment policies, the Finance Director will do the following:

- Meet with the investment manager at least semiannually to monitor the performance of the fund and the compliance with the Town's policies.
- Monitor the fund's performance by comparing the investment manager's results to a blended benchmark to be determined in conjunction with the investment manager.
- Rebalance the portfolios at least annually or more frequently if appropriate.
- Review the OPEB policy every year to ensure it remains in compliance with governing regulations.

#### C. Mitigation

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

#### D. OPEB Funding Strategies

To address the OPEB liability, decision makers will analyze a variety of funding strategies and subsequently implement them as appropriate with the intention of fully funding the obligation. The Town will derive funding for the OPEB Trust Fund from taxation, free cash, and any other legal form. To ensure that the Town's enterprise operations remain self-supporting, the Water & Sewer Commissioners will factor their OPEB contributions into the setting of user fees.

Achieving full funding of the liability requires the Town to commit to funding its actuarially determined contribution (ADC) each year. Among strategies to consider for funding the ADC:

- Annually appropriate at least \$50,000 from the levy toward the general fund OPEB liability.
- Appropriate annually increasing dollar amounts or percentages of yearly revenues for the general fund and three enterprise fund operations.
- Determine and commit to appropriating an annual portion of free cash.
- Transfer unexpended funds from insurance line items to the OPEB Trust Fund.
- Appropriate amounts equal to the Town's Medicare Part D reimbursements.
- Once the pension system is fully funded, on a subsequent annual basis, appropriate to the OPEB Trust Fund the amount equivalent to the former pension-funding payment or the ADC, whichever is less.

#### **REFERENCES**

[M.G.L. c. 32B, § 20](#) and [20A](#)

[M.G.L. c. 44, § 54](#) and [55](#)

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

Monson Investment Policy

Division of Local Services Information Guideline Release 19-10 [Other Postemployment Benefits Liability Trust Fund](#)

GASB Statements 75: [Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions](#) and 74: [Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans](#)

Government Finance Officers Association Best Practice: [Ensuring Other Postemployment Benefits \(OPEB\) Sustainability](#)

<b>EFFECTIVE DATE</b>
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This policy was adopted on [date].

# Financial Operations Policies



## ANTIFRAUD

### PURPOSE

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

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

### APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"><li>▪ All elected and appointed Town officials and employees</li><li>▪ All other persons acting on behalf of the Town, such as vendors, contractors, volunteers, casual employees, and grant subrecipients</li></ul>
Scope:	<ul style="list-style-type: none"><li>▪ Any suspected fraud, abuse, or similar irregularity against the Town</li></ul>

### POLICY

The Town is committed to protecting its revenue, property, information, and other assets from any attempt, either by members of the public, contractors, consultants, vendors, agents, or its own employees, to gain by deceit, financial or other benefits at the expense of taxpayers. Town officials, employees and other persons acting on behalf of the Town must, always comply with all applicable policies, laws, and regulations. A "Person acting on behalf of the Town" refers to any individual responsible for or to Monson's government placed in that position by some official relationship with the Town.

The Town will not condone any violation of law or ethical business practices and will not permit any activity that fails to withstand the closest possible public scrutiny. The Town intends to fully, objectively, and impartially investigate any suspected acts of fraud or other similar irregularities regardless of the position, title, length of service, or relationship with the government of any party who may be the subject to such investigation.

#### A. Actions Constituting Fraud or Abuse

Fraud and abuse can take many forms, all of which are covered by this policy and described in examples below.

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

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

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 Administrator 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 Administrator, who will duly post the matter for discussion in an executive session of the Select Board. If the suspected fraud involves the Town Administrator, 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 Administrator 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 to reports; however, an anonymous report can be emailed to the Town Administrator at [jwolowicz@monson-ma.gov](mailto:jwolowicz@monson-ma.gov).

#### D. Security of Evidence

Upon receipt of a report of suspected fraud, the Town Administrator 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 Administrator 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 Administrator or Select Board.

#### F. Investigation

As soon as possible after receipt of a report of potential fraud or abuse, the Town Administrator 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 Administrator 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 Administrator will consult with the Town Counsel to obtain guidance on next steps. From there, the Town Administrator may also seek the involvement of the Finance Director, Police Chief, and other personnel as needed. The Town Administrator 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 Administrator 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.

Additionally, the Town Administrator, in consultation with the assigned investigator if any, will determine the corrective actions needed to implement new or enhanced internal controls, in the subject department and potentially Town-wide, to mitigate the risk of future fraudulent activity. The subject department head(s) will subsequently provide the Town Administrator with updates on the status of the corrective action(s) monthly or upon request.

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

#### H. Whistleblower Protection

Regardless of an investigation’s outcome, no employee who makes a good faith report pursuant to this policy shall be subject to retaliatory actions by Town management, such as:

- Dismissal or threat of dismissal
- Discipline, suspension, or threat of these actions
- Intimidation or coercion
- Any other form of penalization or retaliation

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

If an allegation is made in good faith but not confirmed after the investigation concludes, no action will be taken against the originator. Any employee who knowingly makes a false report, provides evidence they know to be false, or provides information without a reasonable belief in its truth and accuracy may be subject to disciplinary action. Evidence of false allegations made with malicious intent will result in disciplinary action, up to and including termination.

#### I. Ethics Training and Annual Acknowledgments

In July every year, the Town Administrator will distribute this policy to all employees and officials along with a copy of the state’s conflict of interest law, and each recipient is required to acknowledge receipt. In addition, every two years, all Town employees must complete the state’s conflict of interest training. Further, any Town employee responsible for managing a vendor contract will ensure the vendor receives a copy of this policy and returns a signed acknowledgment. The Town Administrator or his designee will maintain a database to track the status of all acknowledgments and employee trainings and will follow up with those who are noncompliant with either requirement.

### REFERENCES

[M.G.L. c. 12, §§ 5A, 5B, 5C, 5D, 5E, 5F, 5J](#)      [M.G.L. c. 268A](#)

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

MA Office of the Inspector General webpage: [What is Fraud?](#)

MA Ethics Commission webpage [Summary of the Conflict of Interest Law for Municipal Employees](#) and training module [Conflict of Interest Law](#)

### EFFECTIVE DATE

This policy was adopted on [date].

## CASH FLOW

### PURPOSE

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

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

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

### APPLICABILITY AND SCOPE

Applies to:	▪ Treasurer, Finance Director, and Town Administrator job duties
Scope:	▪ Managing the flow of cash to cover current obligations.

### POLICY

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

### REFERENCES

Government Finance Officers Association Best Practice [\*Cash Forecasts for Treasury and Operations Liquidity\*](#)

### EFFECTIVE DATE

This policy was adopted on [date].

## CREDIT CARD USAGE

### PURPOSE

To ensure all credit card purchases comply with the Town's Disbursements policy, this policy establishes standards for proper card use when conducting Town business.

### APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"><li>▪ Finance Director, Treasurer, and Town Administrator job duties</li><li>▪ All department heads, officials, and employees with spending authority (all referred to below as "employees").</li></ul>
Scope:	<ul style="list-style-type: none"><li>▪ Guidelines for allowable purchases by credit card</li><li>▪ Administration and security of the credit card account</li><li>▪ Process for including credit card purchases in the accounts payable warrant</li></ul>

### POLICY

The Town shall have only one credit card, on an account opened and controlled by the Treasurer. The credit card is the payment method of last resort, and purchases with it may only be made in accordance with the provisions of this policy.

No purchase shall be made by credit card during the month of June each year. Further, all items purchased with the credit card must be received by the department prior to June 30th of any fiscal year for payments to be made for that fiscal year. No backordering of merchandise is allowed.

#### A. Allowable Use

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

The following are prohibited uses of the credit card:

1. Personal expenses
2. Cash advances
3. Gift cards
4. Services (e.g., consultant fees, repair work, temporary help, etc.) with the exception of payment for trainings or seminars
5. Use for paying other invoices
6. Alcoholic beverages and tobacco

#### B. Administration and Security

The Finance Director will determine the purchase limit allowed on the credit card account. The Treasurer is otherwise responsible for administration of the credit card, including but not limited to: selecting the card issuer, ensuring the purchase limit on the card complies with the Finance Director's decision, ensuring proper card usage, paying credit card bills timely, and disputing any false charges. The credit card issuer's terms must not include any incentive programs.

Possession of the credit card will remain with the Treasurer. Whenever it is not being used to make a purchase, the Treasurer will secure it in the Treasury Office's safe. If the purchase will be done online, a Treasurer staff member will be present at the computer terminal when the purchase is being made and ensure that the credit card number is not stored in an associated online account. If the purchase must be made at a brick-and-mortar merchant, the Treasurer will temporarily give the card to the purchaser. The employee making the purchase must return the credit card to Treasurer within no more than 24 hours. Any employee given temporary custody of the card must immediately report to the Treasurer if it is lost or stolen.

### C. Making Purchases

Prior to making a credit card purchase, an employee must complete a credit card purchase requisition form. The department head must sign the form to attest that the purchase is being made within the proper appropriation. Because payment in this circumstance is effectively made in advance of a warrant, the Finance Director must also sign the form as verification that the purchase is consistent with the appropriation's intent, sufficient funds are available to cover the cost, and no fraud is evident. Once these prerequisites are completed, the Town Administrator will approve the request by signing the form as well.

The purchaser shall inform the vendor that the Town is a tax-exempt entity and instruct the vendor to charge no taxes on the purchase. If taxes are charged on the purchase, the purchaser will be held responsible for that expense.

Once all the necessary signatures have been obtained and the subsequent purchase made, the purchaser will provide copies of the form and purchase receipt to the Treasurer. The Treasurer will maintain these documents on file to match with credit card statements. The Treasurer will investigate any credit card charges that lack the supporting documents.

If a return or exchange is necessary, the employee will coordinate the return with the Treasurer to ensure that proper credit is received for returned merchandise, following the same warrant process for the purchase.

### D. Warrant Process

The Treasurer will provide two copies of the credit card statement to the purchasing employee. The employee will retain one copy and provide the other to the Accounting Office along with the detailed vendor receipt and copy of the credit card authorization form as a part of the accounts payable warrant submissions.

### E. Audit

The Finance Director will conduct random audits of credit card activities. All activity is also subject to review by the Monson's independent auditing firm.

## **FORMS**

Credit Card Purchase Authorization Form

## **REFERENCES**

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

Monson Disbursements Policy

**EFFECTIVE DATE**

This policy was adopted on [date].

## DISBURSEMENTS

### PURPOSE

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

### APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"><li>▪ Finance Director and Treasurer/Collector job duties</li><li>▪ Select Board's warrant approval responsibilities</li><li>▪ All department heads and the elected or appointed officials with spending authority (all referred to here as "department heads") in submitting their requests for expense and payroll disbursements</li></ul>
Scope:	<ul style="list-style-type: none"><li>▪ Guidelines for managing requests for and disbursements of Town funds to pay accounts payable liabilities and to compensate employees through payroll.</li></ul>

### POLICY

No disbursement for any payroll or accounts payable (AP) expense shall occur without the prior review of the Finance Director and approval by the Select Board. Accordingly, the Finance Director is responsible for finalizing every AP and payroll warrant and the Select Board for approving each by majority signatures.

Every AP disbursement must be based on an original invoice and valid form W-9 for the payee. As a tax-exempt organization, the Town will not pay sales tax on any expense. All invoices must be charged to the proper fiscal year. Payment for any bills payable for a prior fiscal year must be approved by vote of town meeting in accordance with [M.G.L. c. 44, § 64](#). All payroll expenditures must be based on approved time and attendance (T&A) reports and be consistent with personal service contracts, classification schedules, or Monson personnel bylaws. No employee may submit overtime hours or hours for any special detail work without the supervisor's advanced approval.

To allow for the expedited processing of any checks that may go unclaimed (as permitted under [M.G.L. c. 200A, § 9A](#)), printed on the face of every disbursed check will be: "Void if not cashed within one year of issuance." The Treasurer/Collector will secure all checks in a safe until distributed.

#### A. Ongoing Maintenance of Payroll and Leave Time Data

The Treasurer/Collector is responsible for maintaining the Harper's payroll database of all active town employees including their salaries, pay rates, stipends, weekly work hours, benefit options, and withholdings within the payroll module. Any change to an employee's employment status, work hours, or pay rate can only be made by the Treasurer/Collector staff based on a personnel action form signed by the appropriate department head, Finance Director, and the Town Administrator.

The Assistant Town Accountant has oversight responsibility for maintaining the Excel spreadsheet of employee leave time accumulations and usage. A change to any employee's rate of accumulation must be supported by one of the following documents: collective bargaining agreement, classification schedule, or personal services contract. Deductions to leave time will be based on data reported on biweekly time sheets.

## 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

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 signature on the coversheet of the invoice(s) and for payroll submissions by electronic email signature accompanying emailed Excel reports
- Timely submitting of AP disbursement requests and T&A reports to the Finance Director, and emailing T&A reports to the Town Administrator

The **Finance Director** is responsible for:

- Reviewing T&A reports and AP submissions and including each requested expense on the AP/payroll warrant only after validating:
  - Procurement laws were adhered to
  - The submission is legal
  - No fraud is evident
  - Adequate funds exist
- Preparing the AP and payroll warrants and submitting them to the Select Board for approval
- Ensuring the payroll warrant balances with the Treasurer's payroll preliminary report before providing it to the Select Board and subsequently notifying the Treasurer/Collector to initiate bank transactions to disburse the payroll
- Monitoring and maintaining employee leave time balances in the Excel spreadsheet on both pay period and annual accrual basis
- Updating the general ledger with all AP and payroll warrant expenditures

The **Treasurer/Collector** is responsible for:

- Reviewing payroll data in the Harper's database based on departmental electronic time sheets and manual hard copy submissions
- Reviewing the AP warrant and withholding from disbursement any amounts owed to the town by listed payees
- Upon receipt of payroll and AP warrants signed by the Select Board, funding the gross payroll warrant, the Town's portion of Medicare tax, and the gross AP warrant in the associated bank accounts
- Dispersing payroll by direct deposit, which is mandatory for all employees
- Mailing out all AP checks to the vendors
  - The Treasurer/Collector will not give any vendor checks to department heads or other employees to mail
- Updating the cashbook to document the disbursement activity

The **Select Board** is responsible for:

- Reviewing each warrant for appropriateness by examining the invoices, back-up documents, and payroll detail, and directing any inquiries to the Finance Director
- Approving the warrants by signing them

C. Manual Disbursements in Exceptional Circumstances

An emergency or other imperative circumstance may compel an allowable exception to the usual disbursement process. In such rare cases, the Treasurer/Collector may issue a manual check for an AP or payroll liability upon receipt of written authorizations from the Town Administrator and Finance Director. For the next AP/payroll warrant, the department head will then submit the amount to the Finance Director as a no-check transaction.

D. Audit

All disbursement activity is subject to audit by Monson’s independent auditor.

**REFERENCES**

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

[M.G.L. c. 44, §§ 56, 58, 64](#)

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

[M.G.L. c. 200A, § 9A](#)

Monson policy on Antifraud

**EFFECTIVE DATE**

This policy was adopted on [date].

## GRANTS MANAGEMENT

### PURPOSE

To help the Town take advantage of external funding sources, ensure all grant applications align with the Town's best interests, optimize cash flow from reimbursements, and deter year-end account deficits, this policy sets guidelines for pursuing and managing grants.

### APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"><li>▪ Project managers within Town departments applying for or managing grant funds</li><li>▪ Select Board, Monson School Committee, Town Administrator, Finance Director, and Treasurer/Collector job duties</li></ul>
Scope:	<ul style="list-style-type: none"><li>▪ Evaluating the grant opportunities</li><li>▪ Tracking grant activity</li><li>▪ Processing revenues and expenditures</li></ul>

### POLICY

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

As a legal contract, every grant agreement must be fulfilled in accordance with its prescribed terms and conditions, as well as all applicable federal, state, and local regulations. Failure in this regard exposes the Town to legal and financial liabilities and compromises future grant funding. No department shall expend grant funds until a fully executed grant agreement has been accepted and approved for expenditure by the Select Board (or the School Committee, when applicable). Further, no grant funds shall be used to supplant an existing expense for the purpose of diverting current funds to another use.

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

#### A. Grant Opportunity Assessment

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

Programmatic:

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

Financial:

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

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

B. Grant Application and Award Acceptance

Prior to filing any grant application greater than \$5,000, the project manager will submit a meeting agenda item requesting preapproval from the Select Board (or the Monson School Committee, when applicable) with a report summarizing the grant and how it complies with this policy. The Town Administrator will then decide as to whether any preapproved application should be submitted to the Town Counsel for legal review. Following this, the project manager will submit the grant application to the grantor and forward a copy to the Finance Director.

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

Upon receiving the grant documents, the Finance Director will create a new general ledger account to record the grant activity separately from regular expenses. When notified of any amendment or adjustment by the grantor, the project manager will immediately forward the information to the Finance Director, 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 Finance Director and project manager will discuss its requirements and the timing of reimbursement requests (e.g., at the time of expenditure, monthly or quarterly), when applicable.

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

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

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

The Finance Director 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 project manager will verify that all grant requirements have been met and will send to the Finance Director a grant closeout package that includes a final report and either a final reimbursement request or notification of the amount to be refunded to the grantor.

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

Within 30 days of any grant closeout or year-end closure, whichever is earlier, the Finance Director will determine if the grant account has been over expended and will 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, the Finance Director, and the Town's independent auditor. The Finance Director will maintain all grant documents and financial records for seven years after their closeouts or for the lengths of time specified by the grantors, whichever period is longer.

### REFERENCES

[M.G.L. c. 40, § 5D](#)      [M.G.L. c. 41, § 57](#)      [M.G.L. c. 44, § 53A](#)

Monson policies on Antifraud, Disbursements, and Reconciliations

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

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

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

### EFFECTIVE DATE

This policy was adopted on [date].

## PROCUREMENT CONFLICT OF INTEREST

### PURPOSE

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

### APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"><li>▪ Town Administrator, serving as the Town's chief procurement officer</li><li>▪ Finance Director job duties related to contracts</li><li>▪ All other Town employees, officials, and others working on the Town's behalf who are involved with any procurement and contract process</li><li>▪ Prospective contractors</li></ul>
Scope:	<ul style="list-style-type: none"><li>▪ Guidelines for vetting conflicts of interest related to all procurements of the Town, and for assuring compliance with the conflict of interest standards required of federal grantees under the Omni Circular</li></ul>

### POLICY

The Town is committed to ethical business practices, professional integrity, and compliance with all procurement laws and regulations. Monson 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.

#### 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 Administrator.

The Town Administrator 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 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 Administrator 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 contracts:

1. Employees, officials, and others who regularly participate in contract activities on behalf of the Town must disclose relevant financial interests as required by state and federal laws and to annually review those statements in conjunction with this policy and other ethical standards.
2. Other persons involved in procurements must review this policy and other ethical standards and provide information 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 Administrator prior to commencing any procurement or contract activity.

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

#### **REFERENCES**

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

[M.G.L. c. 41, § 57](#)

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

Monson Antifraud policy

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

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

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

#### **EFFECTIVE DATE**

This policy was adopted on [date].

## PURCHASING

### PURPOSE

To optimize the value received for Town expenditures, assure employees comply with the state's procurement laws, avoid exposure to any bid disputes, and ensure serial purchases do not exceed budget allocations, this policy establishes standards and practices for the purchasing of materials, supplies, and services.

### APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"><li>▪ Town Administrator, serving as the Town's chief procurement officer</li><li>▪ Finance Director job duties related to purchases</li><li>▪ All other Town employees and officials involved in procurement or purchasing</li></ul>
Scope:	<ul style="list-style-type: none"><li>▪ Procurement and contract processes, including developing bid requirements and all purchasing-related responsibilities</li></ul>

### POLICY

The Town Administrator is Monson's chief procurement officer (CPO) responsible for ensuring that all purchasing adheres to the competitive quotation and bidding procedures required by state law. To effectively fulfill this role, the Town Administrator, and/or his designee, will achieve and maintain a designation of Massachusetts Certified Public Purchasing Official through the Office of the Inspector General (IG). In compliance with statute, the Town Administrator will award contracts to the lowest bids received from responsive and responsible vendors.

All department heads are accountable for the purchases made within their departments. Accordingly, all department heads and any designated purchasing employees must read and adhere to the provisions of M.G.L. c. 30B and follow the procurement procedures detailed in the IG's guide, [The Chapter 30B Manual: Procuring Supplies, Services, and Real Property](#). In addition, every department head will make all efforts to combine purchasing needs with other departments to avoid waste and seek bulk purchase discounts. The Town Administrator will coordinate with department heads to identify group purchasing opportunities.

All practices associated with procurement and purchasing are subject to audit by the Town's independent auditor.

#### A. Quotation and Bidding Requirements

Apart from the 34 specific types of exceptions listed under [M.G.L. c. 30B § 1](#), all purchases for goods or services must comply with the following:

- Under \$10,000 requires the use of sound business practices.
- Between \$10,000 and \$49,999 requires solicitation of at least three written quotes.
- \$50,000 or more requires competitive sealed bids or proposals for contracts.

Every department head must assess his or her department's full fiscal year operational needs when considering purchases. No Town department may split up several small purchases of the same product to, in effect, conceal the cost threshold for soliciting bids.

## B. Sole Source Procurements

Competitive bids may be waived in instances where there is only one vendor that can provide the relevant equipment, materials, or services. Any department head intending to make a sole source procurement must first submit supporting documents to the Town Administrator for preapproval.

## C. Purchasing Employee/Department Head Responsibilities

Department heads will ensure that their purchases do not exceed the departments' allocated budgets and that they comply with the following provisions.

Purchase costing less than \$10,000:

- Ensure compliance with sound business practices by periodically soliciting price lists or quotes in pursuit of favorable prices.

Purchase costing between \$10,000 and \$49,999:

- Create a purchase description that includes the following (as applicable):
  - Detailed description of the product or services required
  - Schedule of performance
  - Quantities required
  - Delivery terms
  - Payment terms
  - Insurance or other special requirements
- Solicit at least three written quotes from vendors according to procedures outlined in the IG's Chapter 30B Manual.
- Submit the purchase description, quotes, and recommended vendor to the Town Administrator for review.
- After the vendor has been selected and purchase made, include a copy of the Town Administrator's notice of the approved bidder when submitting the invoice for payment to the Finance Director.

Purchase costing \$50,000 and over:

- Work with the Town Administrator on the creation of an invitation for bid (IFB) or request for proposal (RFP).

## D. Town Administrator or designee Responsibilities

As CPO, the Town Administrator/designee's responsibilities include the following.

Purchase costing between \$10,000 and \$49,999:

- Review the bids, select the vendor, and notify the department head of the selection.

Purchase costing \$50,000 and over:

- Write an IFB or RFP in accordance with guidelines in the IG's manual.
- Follow the IG's guidelines for advertising the IFB/RFP and for receiving, reviewing, and awarding bids.
- Maintain a log of all bids, including the number received and their dollar values.

- Work with department heads to write the contract for the awarded vendor and refer proposed contracts for the Town Counsel’s review.
- Ensure every finalized contract is signed by the vendor and Select Board and/or other Town board with statutory responsibility for the department. Construction contracts must also be signed by the Finance Director, per [M.G.L. c. 44, § 31C](#).
- Retain originals of all bid documents, including specifications, vendor responses, evaluations, and award determinations, for six years after the bid due dates.
- Provide the Finance Director with copies of all executed contracts.

E. Select Board Responsibilities

The Select Board will review all proposed contracts and direct any inquires to the Town Administrator and relevant department head. The Select Board will sign the contract to approve it when satisfied with the terms and with the procurement process that was completed.

F. Finance Director Responsibilities

The Finance Director will:

- Refer to contract terms when reviewing invoices submitted for payment.
- Conduct random audits of compliance with this policy.

**REFERENCES**

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

[M.G.L. c. 44, § 31C](#)

Monson’s policies on Antifraud, Disbursements, and Procurement Conflict of Interest

MA Inspector General manuals: [The Chapter 30B Manual: Procuring Supplies, Services and Real Property - Legal Requirements, Recommended Practices and Sources of Assistance, 8th Edition](#) and [Designing and Constructing Public Facilities](#)

**EFFECTIVE DATE**

This policy was adopted on [date].

## RECONCILIATIONS

### PURPOSE

To ensure transactions are in balance, to mitigate fraud, and to safeguard general ledger accuracy, financial officers must conduct regular reconciliations of their accounting records, and these must be reconciled to the general ledger. This policy sets guidelines for the various types of reconciliations.

### APPLICABILITY AND SCOPE

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

### POLICY

The Treasurer/Collector and all other department heads with accounts receivable duties will internally reconcile their respective accounting records and subsequently reconcile them with the Finance Director 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 Monson's financial records.

#### A. Cashbook Reconciliation

To ensure an accurate accounting of all revenue activity, the Treasurer/Collector will maintain a cashbook that reflects up-to-date and accurate information for all cash and assets. To do so, the Treasurer/Collector will make certain that 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 fifteen days of month-end. 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 correct them when appropriate. The Treasurer/Collector will then forward the reconciled cashbook balances report to the Finance Director and, when needed, an additional Schedule of Receipts for any adjustments made.

#### B. Payroll Withholdings Reconciliation

Payroll withholdings include federal and state taxes, child support and other wage assignments for legal obligations, deferred compensation, optional insurances, association dues, and other employer-sponsored options. At the conclusion of each pay cycle, the Treasurer/Collector will forward a summary report of withholdings subject to vendor invoices (i.e., insurances) to the Finance Director

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 Assistant Town Accountant, under the direction of the Finance Director, will conduct monthly reconciliations of these payroll withholdings to their corresponding accounts payable, identify any discrepancies, and provide the results of these activities to the Treasurer/Collector to make any necessary payroll changes or adjustments. The Treasurer/Collector 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, water charges) or from uncommitted department invoices (e.g., police details, Recreation programs, etc.). To ensure these assets are accounted for and balanced, the Treasurer/Collector 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 the record-keeper reduces a commitment according to processed collections, abatements, and exemptions 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
- Determining whether any revenues were incorrectly recorded as payments to the commitment, such as interest and fees

The record-keeper will forward a copy of the internally reconciled accounts receivable balances to the Finance Director. For the Treasurer/Collector, this is the Schedule of Outstanding Receivables.

#### D. Special Revenue Reconciliation

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

#### E. General Ledger Reconciliation

To achieve the core objective of maintaining the general ledger's integrity, the Finance Director must regularly reconcile it with the separately maintained accounting records outlined in Sections A – D above. In addition, it is the Finance Director'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 Finance Director by the Treasurer, so that in theory, the general ledger should be in balance with the cashbook. However, errors may occur due to omitting transfers or transactions or applying them in the wrong amounts or to the wrong accounts. Whenever the Finance Director 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 Treasurer's Schedule of Receipts agrees by detailed amount and classification with the cashbook and correct any errors.
- Compare the total amount of warrants paid during the month as recorded in the cashbook with the total recorded in the ledger for the same period. The last warrant paid must be the last one recorded; otherwise, a timing problem will create a discrepancy.
- If the records still do not agree, the Treasurer/Collector and Finance Director must trace each entry to the ledger until the variance is determined.

All receivable records must also be reconciled to the Finance Director's general ledger. If a given receivable control has been internally reconciled, any discrepancy must be in the general ledger, so the Finance Director 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 Finance Director'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 Finance Director must trace each ledger entry until they determine the reason for variance.

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

#### F. Time frames and Documentation

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

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

G. Audit

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

**REFERENCES**

Monson policies on Antifraud, Disbursements, and Revenue Turnover

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

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

**EFFECTIVE DATE**

This policy was adopted on [date].

**REVENUE TURNOVER**

**PURPOSE**

To safeguard Town assets and maximize cash flow, this policy provides guidelines for departments to turn over receipts to the Treasurer. Included are details of internal controls designed to provide reasonable assurance that the Town’s revenues are properly and timely secured, recorded, and deposited in Town bank accounts.

**APPLICABILITY AND SCOPE**

Applies to:	<ul style="list-style-type: none"><li>▪ Treasurer, as the Town’s cash manager, and Treasurer/Collector Department staff</li><li>▪ All other individuals and department heads with responsibility for handling payments</li><li>▪ Finance Director in the duty to keep the general ledger up to date</li></ul>
Scope:	<ul style="list-style-type: none"><li>▪ 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</li></ul>

**POLICY**

The head of each department that receives payments is responsible for instituting and employing internal controls designed to ensure that all receipts are recorded accurately, kept secure from loss or theft, and turned over timely to the Treasurer. Each department will turn over at least weekly and must do so by the end of the day when cash receipts total \$500 or more. At each month-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 Town Administrator 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.

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.

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

B. Turning Over Revenues

Departmental staff will fill out a Schedule of Departmental Payments to the Treasurer/Collector (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's office or elsewhere in Town Hall.

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'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 or Assistant Treasurer. The department employee will retain one turnover copy on file and is responsible for delivering the other copy to the Finance Director. The Finance Director will refuse to accept any turnover that is not signed by the Assistant Treasurer/Collector.

The head of every department that receives payments will review the Finance Director's 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 Finance Director.

#### 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, Treasurer/Collector staff will record the receipt data in the VADAR Receipts module. At the close of business each day, the Treasurer/Collector will review the VADAR postings, turnover documents, and receipts, update the cashbook, and deposit the checks using a remote scanner. The Treasurer/Collector will take cash to the bank for deposit weekly unless receipts exceed \$1,000. 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. Once receipts are entered into VADAR, the Treasurer/Collector submits the receipts to the Finance Director through VADAR and sends an email confirmation.

The Finance Director will compare batches of receipts data entered in VADAR by the Treasurer/Collector with the turnover reports received from the departments and contact the Treasurer/Collector about any discrepancies. The Finance Director will then accept the verified receipt batches in VADAR, which posts them to the general ledger.

#### 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 makes a reversal entry in the cashbook receipts and assigns it to the appropriate bank account. The Treasurer/Collector will notify the department responsible for the turnover and the Finance Director.

The department responsible will notify the issuer in writing of the bounced check or rejected EFT. Payment of the original amount plus a \$25.00 penalty is due in five days and must be in the form of cash, money order, or certified check.

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 will 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 committed amount will be reinstated by the appropriate official and the usual collection procedures followed.

#### E. Cash Drawers

On a limited basis, the Finance Director may authorize funds for a department cash drawer for the exclusive purpose of making change. The department head must complete a Cash Drawer Authorization Form (included in the Appendix) to request this funding. The Finance Director will maintain records of cash drawer balances in the general ledger as cash accounts.

Use of these cash drawers shall be restricted only to departmental staff whose job duty assignments specify cashier functions. The department head is responsible for ensuring that each cash drawer is counted daily and will immediately investigate and correct any discrepancies. Cash drawers shall be stored in locked cabinets or safes.

#### F. Reconciliation

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

#### G. Audit

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

### REFERENCES

[M.G.L. c. 41, §§ 35 and 57](#)    [M.G.L. c. 44, § 69](#)    [M.G.L. c. 60, § 57A](#)

Monson Reconciliations policy

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

### EFFECTIVE DATE

This policy was adopted on [date].

## TAILINGS

### 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.

### APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"><li>▪ Treasurer, Finance Director, and all department heads</li><li>▪ Payees of Town disbursements</li></ul>
Scope:	<ul style="list-style-type: none"><li>▪ Managing uncashed checks, including notifying payees, handling claims, and escheating unclaimed funds to the general fund</li></ul>

### 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, relevant department heads, and the Finance Director 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 VADAR. The Treasurer/Collector shall investigate any uncashed checks by reviewing the UniBank Vendor Account, Outstanding Items List, printed each month and compare it with the voided check list from VADAR. Any uncashed payroll payments shall be checked by reviewing the Excel Report, 20xx MSB Payroll Outstanding Checks, updated monthly with the MSB Payroll Account Bank Statement.

The Treasurer/Collector will then run a VADAR report of all checks outstanding 60 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 Finance Director, 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 Monson 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 Journal Register (Palmer Journal)* 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 Finance Director 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 make a determination as to its validity.

- If the claim is deemed valid, the Treasurer/Collector will submit the amount to the Finance Director 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 Palmer District Court (or at Hampden 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 Finance Director 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's notice to the claimant that the funds were being withheld, the Treasurer/Collector will notify the Finance Director 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 Finance Director 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.

**REFERENCES**

[M.G.L. c. 200A, § 9A](#)

Monson policies on Disbursements and Reconciliations

**EFFECTIVE DATE**

This policy was adopted on [date].

**TAX ENFORCEMENT**

**PURPOSE**

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

**APPLICABILITY AND SCOPE**

Applies to:	<ul style="list-style-type: none"><li>▪ Treasurer/Collector job duties</li><li>▪ Town’s contracted tax title attorney</li><li>▪ All Monson real estate property owners whose Town or charges for water or sewer are not exempt</li></ul>
Scope:	<ul style="list-style-type: none"><li>▪ Enforcement of delinquent property tax and water and sewer liens</li><li>▪ Resolution of tax title accounts</li></ul>

**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 year and 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.

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 June 1, 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 60 days of the demand notice. State law allows the process to begin as soon as 15 days after the demand, but, in every case, the Treasurer/Collector must complete the takings within 3½ years from the end of the fiscal year for which the taxes were assessed to secure, or perfect, the tax liens. The Treasurer/Collector will work with delinquent taxpayers to delay the tax taking process as long as the taxpayer is making scheduled payments of at least 10 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 demand 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 by September 1, the Treasurer/Collector will publish a Notice of Tax Taking in *The Journal Register* and post the notice on a bulletin board at the Monson Town Hall and on the Monson website. From this point forward only cash, certified check, or cashier's check are acceptable forms of payment.

Within 60 days of the tax taking announcements, the Treasurer/Collector will prepare an Instrument of Taking form for each delinquent property and record them at the 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 provide copies of the List of Recorded Takings to the Finance Director and Town Administrator.

The Treasurer/Collector shall carefully document the taking process to preserve the Town's rights for future actions.

#### 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 put them in a Subsequent Tax Takings report. The Treasurer/Collector will retain one copy and provide copies of the report to the Treasurer, Finance Director, and Town Administrator.

#### 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 Payment Agreements

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

*The Treasurer/Collector will pursue and establish payment agreements for parcels in tax title to allow delinquent taxpayers to pay off their tax liens over time. The Treasurer/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*
- *Specific amount to be paid each month*
- *Incorporation of payments for the current tax bill*
- *Agreement term not exceeding five years*

- *Statement that defaulting on the agreement will immediately trigger foreclosure action by the Town*

*For taxpayers who fully comply with their payment agreements, the Treasurer/Collector will waive [state the bylaw's waived percentage amount here] of the interest accrued on their tax title accounts.*

#### F. Redemption or Foreclosure

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

As manager of the service contract, the Treasurer/Collector will ensure the tax title attorney complies with the objectives laid out in this policy. 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 potential foreclosure action.

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

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).

#### **REFERENCES**

[M.G.L. c. 40, §§ 57, 42A, 42B, 42C, 42D, 42E, 42F](#)

[M.G.L. c. 60, §§ 6, 16, 22, 37, 40, 50, 53, 54, 57, 61, 62, 62A, 63, 76, 77, 79, 80](#)

Monson policies on Antifraud and Reconciliations

DLS Best Practice: [Enforcing Collections](#), Guidance: [Local Tax Collection FAQs](#), and Informational Guideline Releases 03-210: [Collection Costs and Procedures](#), 05-208: [Payment Agreements and Tax Receivable Assignments](#) and (annually updated): [Land of Low Value Foreclosure Valuation Limit](#)

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

#### **EFFECTIVE DATE**

This policy was adopted on [date].

## TAX RECAPITULATION

### PURPOSE

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

### APPLICABILITY AND SCOPE

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

### BACKGROUND

The property tax levy is Monson’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, Monson’s financial team will annually complete the tax recap process no later than November 30<sup>th</sup>. The Finance Director will develop a realistic plan and timetable to meet this deadline and keep the Select Board 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 Administrator 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 Select Board will ensure that any annual increase in the tax levy does not exceed the maximum allowed under Proposition 2½.
- The Town Administrator and Select Board will verify that the proposed budget is balanced.
- The Finance Director will prepare a schedule of sources and uses to monitor the impact of funds available for appropriation by town meeting.
- The Treasurer/Collector and Town Counsel will ensure any debt issuance authorizations are proper.
- The Select Board will ensure that any proposal for a general override, debt exclusion, or capital exclusion is properly presented in the town meeting warrant and, if passed, put to a town-wide referendum.

Whereas the budget is typically adopted at the spring town meeting, all appropriations and borrowings approved at this and any other 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 Finance Director 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 Finance Director 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 Finance Director will complete the following Gateway forms:
  - Enterprise Fund (Water, Sewer, & Trash) revenues and expenditures (Form A-2)
  - Community Preservation Fund revenues and expenditures (Form A-4)
  - 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 Finance Director 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)
- Record the actual amounts received for the community preservation fund (A-4, 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:

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

The 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 to decide 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 Finance Director 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).

#### 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 will ensure that all budget authorizations are represented and clearly reconcile to the amounts reported in the tax recap schedules.

<b>REFERENCES</b>
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[M.G.L. c. 40, § 56](#)

[M.G.L. c 40A, § 11](#)

[M.G.L. c 41, § 115A](#)

[M.G.L. c. 59 §§ 5C, 21C, 25](#)

DLS Informational Guideline Release 2020-04: [Fiscal Year 2021 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](#)

<b>EFFECTIVE DATE</b>
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This policy was adopted on [date].

## YEAR-END CLOSING

### PURPOSE

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

### APPLICABILITY AND SCOPE

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

### POLICY

The Town Administrator 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 Finance Director will transmit year-end instructions 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 15: Requests for encumbrances
- June 30: All available invoices
- June 30: Status reports on the balances of grants, other special appropriations, and special revenue accounts

#### A. Year-end Encumbrances

In response to notices from department heads of pending expense obligations from the fiscal year, the Finance Director will encumber funds for them only if proper documentation shows 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 Finance Director will distribute management reports of all grant, special appropriation, and special revenue accounts to the responsible department heads to solicit status updates on them. Each department head will notify the Finance Director in writing of any completed project with an unexpended balance so that he/she may close its account to fund balance (or to a special revenue source, if appropriate). Alternatively, if any completed project's account is in deficit,

the department head will notify the Finance Director in writing, provide funding source(s), and state when it will be resolved so that she can plan for closing the account.

The Finance Director 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 Finance Director will review all capital project accounts to ensure that any internal borrowings done in anticipation of short- or long-term debt issuances have been covered.

For any identified deficits:

- If debt had been authorized, the Finance Director will notify the Treasurer/Collector to initiate a short-term borrowing in an amount sufficient to cover the deficit no later than June 30.
- If debt had not been authorized, the Finance Director will refer the shortfall to the Town Administrator 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 Finance Director 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 Finance Director an asset update report with notes confirming the existing data, making additions, and/or noting appropriate deletions, along with narrative explanations. The Finance Director will update the Town's capital asset inventory based on the returned information.

#### D. Year-end Transfers

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

#### E. Closing the Books

No later than August 31, the Finance Director 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.
- Zero out all open encumbrances from the prior fiscal year.
- Verify the new opening balances of all special revenue funds.
- Calculate the general fund's unreserved fund balance.

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

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

Finance Director:

- Snow and ice data sheet September 15
- Community preservation surcharge report (CP-1) September 15  
(with the Principal Assessor)
- Combined balance sheet and supporting documents September 30
- Community preservation fund report (CP-2) September 30
- Schedule A November 30

Finance Director and Treasurer/Collector:

- Statement of indebtedness September 30
- Treasurer’s year-end cash report September 30
- Cash reconciliation September 30
- Schedule of outstanding receivables September 30

**REFERENCES**

[M.G.L. c. 44, § 33B](#)                      [M.G.L. c. 59, § 5](#)                      [M.G.L. c. 64, § 64](#)

Monson policies on Antifraud, Capital Planning, Grants Management, Purchasing, and Reconciliations

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

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

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

**EFFECTIVE DATE**

The policy was adopted on [date].

# APPENDIX



# POLICY LOG

## FINANCIAL PLANNING

Policy	Adopted	Last Reviewed	Amended
Capital Planning			
Debt Management			
Financial Reserves			
Forecasting			
Indirect Cost Allocation			
Investments			
One-time Revenues			
OPEB Liability			

## FINANCIAL OPERATIONS

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

# MUNICIPAL CALENDAR

## Abbreviations Defined

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<b>DLS</b>	Division of Local Services	<b>CPA</b>	Community Preservation Act
<b>BLA</b>	DLS Bureau of Local Assessment	<b>EQV</b>	Equalized Valuation
<b>BOA</b>	DLS Bureau of Accounts		

## July

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- |    |  |  |
|----|--|--|
| 1  | Treasurer/Collector                        | <b>Mail Annual Preliminary Tax Bills</b><br>The Treasurer/Collector may include the 1 <sup>st</sup> and 2 <sup>nd</sup> quarter bills in a single mailing.   |
| 1  | Assessors and Finance Director             | <b>Begin Compiling Data for the Tax Rate Recapitulation Sheet (the recap)</b>  |
| 15 | Select Board, Finance Committee            | <b>Final day to authorize end-of-year transfers</b>  |
| 15 | Finance Director and Treasurer             | <b>Deadline to Process all Prior-Year Unencumbered Expenditures</b><br>Per <a href="#">M.G.L. c. 44, § 56</a> , this is the deadline to record and pay all unencumbered expenditures incurred as of June 30. |
| 15 | Pipeline Company; Telephone/ Telegraph Co. | <b>Deadline for a Pipeline Company or Telephone/Telegraph Company to Appeal the Commissioner's Valuations</b>  |
| 20 | BLA  | <b>Notification of Changes in Proposed EQVs (even years only)</b>  |

## August

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

## September

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- 1 Finance Director **Submit CPA Fund Balance Report (recommended date)**  
After closing the fiscal year and before the October 31 deadline, the Finance Director submits this report (Form CP-2) in Gateway and notifies the Community Preservation Committee. CPA fund balances may be appropriated any time after this submittal until the close of the fiscal year.
- 15 Finance Director **Submit Snow & Ice Data Sheet**
- 15 Assessors **Submit Property Sales Report (recommended date)**
- 15 Finance Director and Assessors **Jointly Submit CPA Surcharge Report (CP-1)**  
This is the deadline to submit the CP-1 Form in Gateway in order to receive matching funds from the State Treasurer's distribution on November 15.
- 15 CPA Committee **Submit CPA Projects Report (CP-3)**  
This is the deadline to enter new CPA projects and update existing ones in the MassGIS CPA projects database in order to receive matching funds from the State Treasurer's distribution on November 15.
- 30 Finance Director, Treasurer/Collector **Submit Balance Sheet and other Reports for Free Cash Certification**  
The Finance Director, Treasurer/Collector coordinate to submit a balance sheet to BOA, along with:
- Statement of Indebtedness
  - Treasurer's Year-end Cash Report
  - Cash Reconciliation Form
  - Schedule of Outstanding Receivables

## October

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- 1 Treasurer/Collector **Mail Preliminary Tax Bills for 2<sup>nd</sup> Quarter**  
The Treasurer/Collector mails these bills if the 2<sup>nd</sup> quarter bills were not included in the July 1 mailings.
- 1 Taxpayer **Deadline for Applying to Have Land Classified as Agricultural/Horticultural Land or Recreational Land**  
Under [M.G.L. c. 61A, §§ 6 and 8](#) and [c. 61B, §§ 3 and 5](#), this is the deadline to apply to the Assessors to have land valued, taxed, and classified as agricultural/horticultural or recreational land in the next fiscal year. Taxpayers who miss this deadline have until 30 days after the mailing of the actual tax bills to apply to the Assessors.
- 1 Taxpayer **Deadline for Submitting Forest Land Certification and Management Plan**  
As set by [M.G.L. c. 61, § 2](#), this is the deadline to submit to the Assessors the State Forester's certification and approved management plan to have land classified as forest land for 10 years beginning in the next fiscal year.
- 15 Assessors **Submit New Growth, Amended Tax Base Levy Growth, and Final Valuation Reports to BLA (recommended date)**

31 Finance Director **Deadline to Submit the CPA Fund Balance Report (Form CP-2)**

## November

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- 1 Taxpayer **Deadline for Paying 2nd Quarter Tax Bill**  
Per [M.G.L. c. 59, § 57C](#), this is the deadline to pay the 2nd quarter tax payment without interest.
- 1 Selectmen and Assessors **Hold Classification Hearing (recommended date)**  
At this public hearing, the Select Board decides whether to apply uniform or different tax rates to the various classes of real and personal property after considering information presented by the Assessors.
- 15 Assessors **Submit Tax Recap and all Schedules to BOA**
- 30 Finance Director **Submit Schedule A to BOA**  
Failure to file Schedule A by this date may result in the withholding or forfeiture of state aid.

## December

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- 31 Water & Sewer Commissioners **Deadline for Betterments to be included on Next Year's Tax Bill ([M.G.L. c. 80, § 13](#), [c. 40, § 42I](#) and [c. 83, § 27](#))**
- 31 Assessors **Mail 3ABC Forms to Charitable Organizations and Forms of List to Personal Property Owners**
- 31 Treasurer/Collector **Deadline for Mailing Actual Tax Bills**  
The Treasurer/Collector may include the 3<sup>rd</sup> and 4<sup>th</sup> quarter bills in a single mailing.

## January

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- 31 Pipeline Company **Deadline for Pipeline Company to File Form of List with BLA**

## February

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- 1 Taxpayer **Deadline to Pay 3<sup>rd</sup> Quarter Tax Bill**  
Per [M.G.L. c. 59, § 57C](#), this is the deadline to pay the 3rd quarter actual tax bill without interest unless the bills were mailed after December 31. If mailed after December 31, the actual tax is due as a single installment on May 1 or 30 days after the bills were mailed, whichever is later.
- 1 Taxpayer **Deadline to Apply for Property Tax Abatement**  
According to [M.G.L. c. 59, § 59](#), abatement applications are due on February 1 unless actual tax bills were mailed after December 31. In that case, they are due May 1 or 30 days after mailing, whichever is later.

## March

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- 1 Personal Property Owner **Deadline to Submit Personal Property Form of List**  
The Assessors may extend this deadline to a date no later than the date abatement applications are due.

- 1 Telephone/  
Telegraph Co.      **Deadline for Telephone/Telegraph Company to File Form of List**  
BLA may extend this deadline to a date no later than April 1.
  
- 1 Charitable  
Organization      **Deadline to Apply for Property Tax Exemption using Form 3ABC**  
The Assessors may extend this deadline to a date no later than the date that abatement applications are due.
  
- 1 Select Board      **Request Determination of Overlay Surplus (recommended date)**  
Within 10 days of this request, the Assessors must determine if a surplus exists, and if so, vote to certify the surplus amount and notify the Accountant of the vote so that the amount can be transferred to the overlay surplus account.

## April

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- 1 Treasurer/Collector      **Mail 4<sup>th</sup> Quarter Tax Bills**  
The Treasurer/Collector mails these bills if the 4th quarter bills were not included in the December mailings.
  
- 1 Taxpayer      **Deadline to Apply for Property Tax Exemptions for Persons, Residential Exemptions, and Small Commercial Exemptions**  
This is the deadline to apply to the Assessors if actual tax bills are mailed on or before January 1. If mailed after January 1, taxpayers have three months from the mailing date to file exemption applications.

## May

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- 1 Taxpayer      **Deadline to pay 4<sup>th</sup> Quarter Tax Bill without Interest**
  
- 1 Finance Director or  
Treasurer      **Notification of Amount of Debt Due in Next Fiscal Year**  
As required by [M.G.L. c. 44, § 16](#), the Finance Director or Treasurer/Collector must notify the Assessors of all debt due in the next fiscal year.

## June

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- 1 Town Clerk      **Certify Appropriations (date varies)**  
The Town Clerk should certify appropriations within two weeks after town meeting.
  
- 1 Town Clerk      **Update the Local Officials Directory (LOD) in Gateway**  
The Town Clerk annually updates the LOD with the names, position titles, and email addresses of local officials.
  
- 1 Assessors      **Notification of State-owned Land Valuations (even years only)**
  
- 1 Assessors      **Determine Valuation of Other Municipal or District Land and Notify Owner(s)**  
In any community where land is owned by another community or district, the Assessors value the land for in-lieu-of-tax payments and send the property owner a notice of the valuation in the year following a revaluation year.

- 1 BLA **Notification of Proposed EQVs (even years only)**
- 10 BLA **Conclude Public Hearings on Proposed EQVs (even years only)**
- 15 BLA **Determine and Certify Pipeline and Telephone/Telegraph Valuations**
- 15 Assessors **Make Annual Preliminary Tax Commitment**  
Assessors should make the annual preliminary tax commitment by this date to ensure the ability to mail tax bills by July 1.
- 20 Assessors **Final Date to Make Omitted or Revised Assessments**  
As required by [M.G.L. c. 59, §§ 75](#) and [76](#), if any property was inadvertently excluded or mistakenly underassessed on the warrant for property taxes, it is the Assessor's duty to fix the mistake and assess the property correctly. The new assessment must be made by June 20 of the taxable year or by the 90th day after the date the tax bills are mailed, whichever is later.
- 30 Assessors **Submit Annual Report of Omitted or Revised Assessments to BLA**
- 30 Taxpayer **Deadline to Apply to Have Land Classified as Forest Land**  
Per [M.G.L. c. 61, § 2](#), this is the deadline to apply to the State Forester to have land certified as forest land.
- 30 Assessors **Deadline to Submit Requests for Current Fiscal Year Reimbursements of Exemptions Granted Under the Various Clauses of [M.G.L. c. 59, § 5](#)**  
Assessors have until this date to submit a request to the DLS Databank for state reimbursement to offset the tax revenue lost from granted statutory exemptions. The state partially reimburses for these via the cherry sheet. If actual tax bills were mailed late, the submission deadline is extended to August 20.

## Due Date Exceptions

According to [M.G.L. c. 4, § 9](#), if the date for any statutory action or payment falls on a Sunday or legal holiday, that action may be performed or payment made on the next business day. This rule also applies to any actions required by or payments due on a Saturday if the Town accepted [M.G.L. c. 41, § 110A](#) permitting public offices to remain closed on that day. The due date for any local property tax payment, abatement application, or exemption application is also extended to the next business day by [M.G.L. c. 59, §§ 57, 57C](#), and [59](#) when municipal offices are closed due to a weather-related or other public safety emergency.

## CAPITAL PROJECT REQUEST FORM

Department/Committee:	Department or Committee Name		
Requested By:	Requester		
Request Date:	Request date		
Project Request:	Item/Project Name		
Asset Category:	Choose an asset category		
Priority:	State the priority		
<b>Project description:</b> Enter a description of your request. Attach quotes, pictures, or additional details			
Purpose:	Choose one		
Date needed by:	Need by date		
<b>Benefit</b> Describe the benefit of this request to your department or the community			
Estimated Project Cost:	\$Enter total project cost.		
Funding Request by Year:	FY2022 \$Cost in year 1    FY2025 \$Cost in year 4 FY2023 \$Cost in year 2    FY2026 \$Cost in year 5 FY2024 \$Cost in year 3		
Describe any discounts or cost reductions (trade-ins, etc.) Provide any reductions to the total requested cost			
Are there available revenue sources or grants other than Municipal funds? Identify available revenue sources (excluding tax levy, free cash, and stabilization funds)			
Consequence on your department of delaying purchase/project Describe any operational impact if your request is delayed or denied			
Input the estimated dollar impact of this purchase or project on your operating budget by fiscal year for the next 3 fiscal years → Increase = Additional Cost, Decrease = Savings			
<u>Personnel Budget</u>		<u>Expense Budget</u>	
Increase/(Decrease)	Fiscal Year	Increase/(Decrease)	Fiscal Year
\$Enter amount	Enter fiscal year	\$Enter amount	Enter fiscal year
\$Enter amount	Enter fiscal year	\$Enter amount	Enter fiscal year
\$Enter amount	Enter fiscal year	\$Enter amount	Enter fiscal year

# CASH DRAWER AUTHORIZATION FORM

Date: \_\_\_\_\_ Date \_\_\_\_\_

Department: \_\_\_\_\_ Department \_\_\_\_\_

Requested By: \_\_\_\_\_ Requester \_\_\_\_\_

Amount Requested: \_\_\_\_\_ \$Requested Amount \_\_\_\_\_

Requirement for Cash Drawer:

Describe why your department needs a cash drawer and in the requested amount.

---

Department Head Signature \_\_\_\_\_

---

Finance Director:

Approved

Not Approved

Date: \_\_\_\_\_ Date Approved \_\_\_\_\_

Amount: \_\_\_\_\_ \$Approved Amount \_\_\_\_\_

Finance Director Signature \_\_\_\_\_

---

## CREDIT CARD PURCHASE REQUISITION

Request Date: \_\_\_\_\_ Amount: \$ \_\_\_\_\_

Vendor Name: \_\_\_\_\_

Vendor Address or Web URL: \_\_\_\_\_

Account Name \_\_\_\_\_ Account #: \_\_\_\_\_

Purpose of Expenditure:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Attached documents:

\_\_\_\_\_

Requester: \_\_\_\_\_ Date: \_\_\_\_\_

Department Head: \_\_\_\_\_ Date: \_\_\_\_\_

Finance Director: \_\_\_\_\_ Date: \_\_\_\_\_

Town Administrator: \_\_\_\_\_ Date: \_\_\_\_\_