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INTRODUCTION

In order to ensure the growing and continued financial health of the Town of Plympton, provide the public with confidence that Town officials seriously respect their responsibility for fiscal stewardship, and demonstrate to bond rating agencies that the Town has thoughtfully prepared for its future, the financial policies outlined below shall guide the Town. These policies are a living tool and shall be reviewed by the Town Accountant and designated staff on an annual basis and updated as necessary.

Objectives:

The objectives of the Financial Management Policies are as follows:

A. To guide the Board of Selectmen, the Finance Committee, and management staff in evaluating and implementing decisions that have significant impact on the Town.

B. To set forth planning and operating principles which require that the cost of government be clearly identified and that financial risk be minimized.

C. To employ balanced and fair fee and user revenue policies that provide funding for required and needed programs.

D. To regularly evaluate the Town's financial capacity to meet present and future needs.

E. To promote credible and sound financial management by providing accurate and timely information on the Town's financial condition to elected officials, staff, the public and external interests.

F. To ensure that current and future capital needs are addressed in a comprehensive and financially sound manner.

G. To promote improvement in the Town's credit rating and provide financial resources sufficient to meet the Town's obligations on all municipal debt and other long term obligations.

H. To establish an effective system of internal controls that ensures the legal use of financial resources.

I. To promote cooperation and coordination with other governments and the private sector in the financing and delivery of services.

REVIEWED AND AGREED TO AT MEETING 1 (May 2, 2016)

A. GENERAL BUDGET POLICIES

A-1 Balanced Budget

Background:

All Massachusetts municipalities are required by state law to prepare balanced annual budgets.

The Government Finance Officers Association (GFOA) notes a true structurally balanced budget is one that supports financial sustainability for multiple years into the future.

Policy:

The Board of Selectmen and the Finance Committee shall recommend and Town Meeting shall adopt balanced budgets in which current revenues (non-one-time) equal or exceed current expenditures. Expenditures shall be realistically budgeted and estimated revenues shall be conservatively budgeted to allow for unanticipated events. The Town shall present said estimates and assumptions behind revenue estimates along with the balanced budget.

The Town will not balance the budget by using one time or other nonrecurring revenues to fund ongoing expenditures. The Town will not use budgetary procedures that balance the budget at the expense of future years, such as postponing or deferring payment of expenses already incurred, accruing future year revenues, or rolling over short-term debt to avoid making principal payments.

The Town budget shall also support a financially sound operating position by maintaining reserves for emergencies and providing sufficient liquidity to pay bills on time and avoid revenue anticipation borrowing.

References:

M.G.L. c.44, §31

Achieving a Structurally Balanced Budget, Government Finance Officers Association Best Practice, February 2012

REVIEWED AND AGREED TO AT MEETING 1 (May 2, 2016)

A-2 Submission of Budget and Budget Message

Background:

The ______ Town Charter establishes requirements for the Finance Committee's submission of the annual budget proposal, accompanying budget message, and supporting documents.

Policy:

The Finance Committee's budget proposal shall provide a complete financial plan of all general and enterprise funds and activities for the ensuing fiscal year, an accompanying budget message, and supporting documents. The budget message of the Finance Committee shall explain the proposed budget for all Town agencies both in fiscal terms and in terms of work programs. It shall outline the proposed financial policies for the Town for the ensuing fiscal year, describe the important features of the budget, indicate any major differences from the current fiscal year in financial policies, expenditures, and revenues, together with the reason(s) for such changes, summarize the Town's debt position, and include such other material as the Finance Committee deems desirable or the Board of Selectmen and Town Meeting may reasonably require.

The Town shall work toward the implementation of a budget document that meets the high standards of the Government Finance Officers Association "Distinguished Budget Presentation Award Program."

References:

XXXXX

A-3 Revenue and Expenditure Forecast

Background:

A critical step in maintaining a sound financial plan is the preparation of a multi-year revenue/expenditure forecast(s).Long term financial planning, including revenue and expenditure assumptions, is one of the local government financial practices that credit rating agencies evaluate when assessing municipalities for credit quality.

The Massachusetts Division of Local Services (DLS) states that a financial forecast, or multi-year revenue and expenditure forecast, allows a municipality to evaluate the impact of various government decisions over time.

A forecast will provide decision-makers with an indication of the long-term fiscal impact of current policies and budget decisions, and will allow staff, the Finance Committee, and the Board of Selectmen to test various “what-if” scenarios and examine the fiscal impact on future budgets.

Policy:

Each year the Town Accountant shall prepare and maintain a five-year Financial Forecast for General Fund and Enterprise Fund operations based on current service levels and current funding sources and including the five year Capital Improvement Program.

The forecast shall be used as a budget tool to enable Town officials to review operating needs, identify fiscal challenges and opportunities, and develop long-term budgeting policies as part of an overall strategic plan. The forecast shall be designed to provide an outlook on the implications of changes in revenues and expenditures and allow for analyzing multiple scenarios. The forecast will: 1) provide insight into whether the current mix and level of resources in the General Fund are likely to continue to be sufficient to cover current service levels and capital projects; and, 2) identify the resources needed to maintain required enterprise fund operations and 3) estimate the impact on rate payers.

Procedure:

The Town Accountant, in cooperation with other Town departments, will review its assumptions every year when it updates the forecast and will use information that is timely and accurate in preparation of the forecast. The forecast and assumptions used in development of the forecast shall be made available to the Board of Selectmen and the public no later than upon submission of the Capital Improvement Plan.

References:

Revenue and Expenditure Forecasting, MA DOR Division of Local Services Best Practice.
Financial Forecasting in the Budget Preparation Process, Government Finance Officers Association Best Practice, February 2014.
Financial Management Assessment, Standard and Poor’s, June 2006.

REVIEWED AND AGREED TO AT MEETING 1 (May 2, 2016)

A-4 Position Control/Vacancies

Background:

The largest segment of a town's budget is its personnel costs. Failure to accurately monitor the approved personnel budget can lead to errors in budgeting, over or under staffing, incorrect grading, and other personnel costs.

Policy:

The Town shall maintain a personnel system that accurately tracks authorized, filled and unfilled positions as well as their funding source. Annual budgets shall be prepared that account for all the costs necessary to cover positions that the Town intends to have during that budget period.

REVIEWED AND AGREED TO AT MEETING 1 (May 2, 2016)

B. POLICIES REGARDING ESTABLISHMENT OF FEES

<u>B-1 Fees and Charges</u>

Background:

The Government Finance Officers Association recommends that when certain services provided especially benefit a particular group, governments should consider charges and fees on the service recipients. Well-designed charges and fees not only reduce the need for additional revenue sources, but promote service efficiency. Regular and consistent review of all fees is necessary to ensure the costs associated with the delivery of specific services have been appropriately identified and that a municipality is collecting reasonable charges.

The Division of Local Services recommends communities adopt written policies for setting charges and fees. A policy should identify what factors are to be taken into account when pricing services. It should also state whether the community intends to recover the full cost of providing the service or benefit and under what circumstances a charge or fee is set at less than full recovery (e.g., debt exclusion or other subsidy). Such a policy and the fee structure should be reviewed periodically to ensure they remain current, and both should be communicated with the public clearly and openly.

Policy:

Town fees and charges shall be reviewed periodically in relation to the cost of providing the service. The Town will compare rates with nearby community to determine if the fees established are competitive. The Town may decide against full cost recovery where greater public benefit is demonstrated. Exceptions to full recovery costs include cases where: the fee maximums are established by the General Laws of Massachusetts (MGL) or where a policy decision has been made otherwise.

References:

M.G.L. c.140

Emerson College v. Boston, 391 Mass. 415 (1984).

Costing Municipal Services: Workbook and Case Study, MA DOR Division of Local Services' workbook.

Establishing Government Charges and Fees, Government Finance Officers Association Best Practice, February 2014

Division of Local Services, A Guide to Financial Management for Town Officials, p. 20-21.

REVIEWED AND AGREED TO AT MEETING 3 (June 27, 2016)

C. RESERVE FUNDS/FUND BALANCE POLICIES

Background:

Formal written policies that establish guidelines for funding and maintaining reserves can help a community sustain operations during difficult economic periods. Reserves can be used to finance unforeseen or emergency needs, to hold money for specific future purposes, or in limited instances, to serve as a revenue source for the annual budget. Reserve balances and policies can also positively impact a community's credit rating and as a consequence, the long-term cost to fund major projects. The discussion of reserves, and the attention of credit rating agencies, is generally focused on free cash, stabilization funds, and, sometimes, overlay surplus.

REVIEWED AND AGREED TO AT MEETING 2 (June 6, 2016)

C-1 Free Cash

Background:

The Division of Local Service's *Municipal Finance Glossary (May 2008)* defines Free Cash as follows:

> Free Cash (Also Budgetary Fund Balance) – Remaining, unrestricted funds from operations of the previous fiscal year including unexpended free cash from the prior year, actual receipts in excess of revenue estimates shown on the tax recapitulation sheet, and unspent amounts in budget line-items. Unpaid property taxes and certain deficits reduce the amount that can be certified as free cash. The calculation of free cash is based on the balance sheet as of June 30, which is submitted by the community's auditor, accountant, or comptroller. Important: free cash is not available for appropriation until certified by the Director of Accounts.

Free Cash provides a financial cushion against events such as a sudden loss of a revenue source, an economic downturn, an emergency, or other unanticipated expenditure, non-recurring capital expenditures and uneven cash flow. Free cash can serve as a source for funding capital funds or replenish other reserves.

GFOA notes it is essential that governments maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures).

DLS recommends that a municipality strive to generate free cash in an amount equal to 3-to-5% of its annual budget.

Policy:

Plympton will eliminate its dependence on free cash to fund the operating budget by no later than FY2020. (The Town will decrease the amount of free cash used to fund operating budgets to $200,000 in FY2018, $100,000 in FY2019 and then zero in FY2020.) The Town will endeavor to maintain a target minimum balance of free cash at 2.5 percent of prior year net revenue, a figure that takes into account the significant sums accruing in the Town's stabilization funds in accordance with the Town's Special Act. Amounts in excess of this 2.5 percent target will be available for capital or other one-time expenses, while the target amount is left unspent from year to year. Net prior year revenue is defined as prior year gross revenues, less debt exclusions and available funds (e.g., free cash, stabilization, Community Preservation, ambulance fees and overlay surplus).

Free cash shall not be depleted in any year, so that the following year's calculation will begin with a positive balance. Conservative revenue projections and departmental appropriations shall be managed to produce excess income and departmental budget turn backs.

Free Cash may be used for certain one-time expenditures, such as major capital projects, emergencies, other unanticipated expenditures, or to replenish other reserves.

References:

Free Cash, MA DOR Division of Local Services Best Practice.

Appropriate Level of Unrestricted Fund Balance in the General Fund, Government Finance Officers Association Best Practice, September 2015.

Reserve Policies, MA DOR Division of Local Services Best Practice.

REVIEWED AND AGREED TO AT MEETING 3 (June 27, 2016)

C-2 Stabilization Funds

Background:

A stabilization fund is designed to accumulate amounts for capital and other future spending purposes, although it may be appropriated for any lawful purpose.

Under State law, a municipality may establish one or more stabilization funds for different purposes and may appropriate into them in any year an amount not to exceed 10% of the prior year's tax levy. Generally, a two-thirds vote of town meeting is required to establish, amend the purpose of, or appropriate money into or from a stabilization fund. However, in Plympton, a special act (Chapter 321 of the Acts of 2012[1]) directs automatic deposits into both regular and capital stabilization funds. Any interest generated by a fund must be added to and become a part of the fund. The total of all stabilization fund balances shall not exceed 10% of a municipality's equalized values.

Special purpose stabilization funds help a municipality think long-term, be prepared to address needs in a timely manner, and manage debt. For example, a capital stabilization fund can be used to accumulate cash over time and pay outright for a moderate-range capital expenditure, and helps preserve debt capacity for major, high-dollar purchases or projects. An approach that balances capital debt with pay-as-you-go practices, and protects against unforeseen costs is viewed in a positive light by credit rating agencies.

Plympton's Special Act designates portions of tax revenue associated with certain industrial parcels into both regular and capital purpose stabilization funds. It states that if the revenues for these parcels exceed $1 million, then automatic deposits are made to both stabilization funds.

Once the overall tax revenue (real estate, personal property and excise taxes) for these parcels is calculated, the annual amount to be directed to the general stabilization is up to two percent of the prior year levy, until the general stabilization fund balance reaches ten percent of the prior year levy. Per the Town's financial forecast (FY2017-FY2021), Plympton will achieve this level by the end of FY2018, and thereafter, the amounts added will be only the amount necessary to maintain the balance at 10 percent of the growing annual tax levy.

The amounts directed to the capital stabilization fund are based on the amount of industrial parcel revenue remaining after the general stabilization allocation. The Special Act states that 35 percent of this remaining balance should be credited to the capital stabilization fund.

C-2a General Stabilization Policy:

The Town shall maintain a General Stabilization Fund of not less than 10% of the prior year's tax levy for the purpose of extraordinary or unforeseen expenditures. The Town will endeavor to leave this balance unspent, except in the event of an emergency or extraordinary or unforeseen events. If it is necessary to draw down from the General Stabilization Fund, the Town will ensure that it is restored through both

[1] Available at https://malegislature.gov/Laws/SessionLaws/Acts/2012/Chapter321.

the regular operation of the Town's Special Act and additional appropriation of revenues such as free cash.

C-2b Capital Stabilization Policy:

The Town shall maintain a special purpose Capital Stabilization Fund that shall serve as a funding source for the Town's capital improvement plan, including any associated debt service.

Although annual amounts deposited into the fund are determined by the Town's Special Act, these deposits will be influenced by future fluctuations of certain industrial property values and the Town's tax rate. The Town will monitor these revenues closely going forward and adjust its forecasted revenues and capital plan spending accordingly. The Town will also be conservative in estimating the amount of revenues that will be available to support future debt service.

References:

M.G.L. c. 40 §5B

Special Purpose Stabilization Funds, MA DOR Division of Local Services Best Practice.

Plympton Special Act, Chapter 321 of the Acts of 2012, available at
https://malegislature.gov/Laws/SessionLaws/Acts/2012/Chapter321

REVIEWED AND AGREED TO AT MEETING 3 (June 27, 2016)

C-3 Overlay Reserve

Background:

State law requires municipalities establish an overlay reserve to fund property tax exemptions and abatements resulting from adjustments in valuation.

Policy:

The Town shall maintain an overlay reserve that shall be used to fund property tax exemptions and abatements resulting from adjustments in valuation. At the end of each fiscal year, the Assessor shall submit to the Finance Committee and Board of Selectmen an update of the overlay reserve for each fiscal year, including, but not limited to, the current balances, amounts of potential abatements, and any transfers between accounts.

Any balance in the overlay reserve of a given year in excess of the amount remaining to be collected or abated can be transferred into the overlay surplus account. Overlay surplus may be appropriated for any lawful purpose. If the balance of any fiscal year overlay exceeds the amount of potential abatements, unused overlay surplus shall be "closed" to surplus revenue and become part of free cash, used to augment the capital improvement plan, or used to address employee-related unfunded liabilities.

References:

M.G.L. c.59, §25

REVIEWED AND AGREED TO AT MEETING 2 (June 6, 2016)

D. CAPITAL IMPROVEMENT PLAN AND POLICIES

Background:

Planning, budgeting and financing for the replacement, repair and acquisition of capital assets is a critical component of any municipality's budget and operation. Prudent planning and funding of capital assets ensures that a municipality can provide quality public services in a financially sound manner. It is recognized that a balance must be maintained between operating and capital budgets so as to meet the needs of both to the maximum extent possible. The development of a Capital Improvement Program (CIP) is the mechanism that a municipality uses to identify projects, prioritize funding, and create a long-term financial plan that can be achieved within the limitations of the budget environment.

Long term capital planning is one of the local government financial practices that credit rating agencies evaluate when assessing municipalities for credit quality.

References:

Financial Management Assessment, Standard and Poor's, June 2006.

D-1 Capital Improvement Plan Budget

Policy:

The Town shall comply with Article IV of the Town's Bylaws as it relates to the capital planning process. The Capital Improvement Planning Committee shall submit the annual capital budget to the Selectmen by the last Monday in March of each year. The Committee shall also prepare an annual report that includes the proposed schedule of capital expenditures over the next five years.

D-2 Capital Improvement Financing

Background:

For the purpose of these policies, the following definitions shall apply:

- <u>Prior Year Net Revenue</u> - Gross revenues, less debt exclusions and available funds (e.g., free cash, stabilization, Community Preservation, ambulance fees and overlay surplus).
- <u>Net Capital Investment</u> - Gross costs from local debt, less Proposition 2 ½ debt exclusion amounts, plus the cost of capital leases, direct capital expenses (e.g., "pay-as-you-go capital) funded from capital stabilization fund and the general fund, and other local amounts approved as part of the capital budget.

- Capital Investment as a Percent of Prior Year Net Revenue – The Net Capital Investment divided by the Prior Year Net Revenue. (For FY2017, Net Capital Investment is about 5.3 percent of the Town's Prior Year Net Revenues.)

Policy:

The Plympton capital improvement program shall be prepared and financed in accordance with the following policies:

- Outside Funding – State, federal, or private grant funding shall be pursued and used to finance the capital budget wherever possible.

  Net Capital Investment as % of Prior Year Net Revenues – The annual Net Capital Investment target is 5 percent of Prior Year Net Revenue.

- Local Funding – The first source of capital investment shall be the Capital Stabilization Fund. Even when a significant balance exists in this account, the town will be cautious about the amount of borrowing to be done with the capital stabilization fund as the funding source. The rationale for this limitation is that these revenues are largely generated by a single taxpayer and any material fluctuations in these revenues may negatively impact capital stabilization revenues and the town's ability to pay future debt service. The town will limit annual debt service funded from capital stabilization to no more than $400,000 per year (including the current fire lease). The town will also issue level principal debt such that debt service will decline over the term of the issue as another means to mitigate risk regarding this funding source. The town will then use modest amounts from the capital stabilization or other reserves such as free cash above target levels to fund pay-as-you go capital needs in order to meet the 5 percent Net Capital Investment target above. In the event that annual deposits into the capital stabilization fund change significantly, the Town will revisit this capital funding policy.

- Debt-Financing/Borrowing -

  - The term of borrowing for a capital project shall not exceed its estimated useful life.
  - The Town will attempt to maintain a long-term debt schedule such that at least 50% of its outstanding principal will be paid within 10 years.
  - The impact of level debt service versus level principal/declining debt on total project cost and on the Town's operating budget shall be analyzed before borrowing is authorized.

FOR CONTINUED CONSIDERATION ATTBD

D-3 Capital Improvement Planning Process

Background:

Article IV of the Town's Bylaws guides the Town's capital improvement planning process. The below policy provides additional detail for participants in the planning process. Where conflicts may exist, Article IV shall govern.

Policy D-3a:

In accordance with the Town Bylaw (Article IV), the Capital Improvement Planning Committee shall prepare an annual capital plan and submit it to the Board of Selectmen by the last Monday in March of each year. Per Town Bylaw, to qualify as a capital expenditure, a proposed purchase or project must have a useful life of five years or more, and must exceed $20,000 in cost, or be expected to prolong the useful life of a capital asset by five years or more. Additional policies are identified below:

- The Capital Improvement Planning Committee will coordinate development of the capital improvement budget with development of the operating budget.
- Future operating costs associated with new capital improvement will be projected and included in operating budget forecasts, as appropriate.
- Federal, state, or private grants or loans shall be used to finance only those capital improvements that are consistent with the Town's capital improvement plan and priorities, and for which operating and maintenance costs have been included in operating budget forecasts.
- All assets shall be maintained at a level adequate to protect the Town's capital investment and to minimize future maintenance and replacement costs.
- Equipment replacement and building repair needs shall be projected for the next five years and will be updated each year. From this projection, a maintenance and replacement schedule will be developed and followed.
- Capital projects shall be prioritized based upon criteria establish by the Town.
- The estimated costs and potential funding sources for each proposed capital project shall be determined before it is submitted to Board of Selectmen and Town Meeting for appropriation.
- Except as required by an emergency, all approved capital projects must be part of the annual adopted Capital Improvement Plan as required by the Town Bylaw. Per Town Bylaw, only the Board of Selectmen can determine what constitutes an emergency.

Policy D-3a:

To meet the annual Bylaw deadline, the calendar for development of the capital improvement plan is as follows:

- Capital planning committee shall provide directions and a capital improvement request form to department directors and other involved staff on or about ________ of each year.
- Department directors and other involved staff shall return request forms to the capital planning committee on or about ________ of each year.
- The capital planning committee shall meet with department directors and other involved regarding their capital budget during the departments' budget development meetings.

E. GRANTS MANAGEMENT POLICIES

Background:

DLS recommends analyzing current and future impact of grants on operating budget, capital improvement program, and debt management.

The Government Finance Officers Association recommends that governments establish processes to promote awareness throughout the government that grants normally come with significant requirements.

E-1 Grant Administration

Policy:

The Town shall consistently seek to maximize the benefits of grants while minimizing their risks. Prior to acceptance of a grant award, the Town shall consider any specialized requirement(s) that apply to the general operations of the grant, specific compliance rules, monitoring of other parties (e.g., sub-grantees) that may receive resources from the grant, specialized reporting requirements, and any long term commitments required by the grant, such as the requirement - either as a condition of the grant itself or politically - to financially maintain a program or asset after the expiration of the grant, among other considerations. The Town shall ensure that it appropriately administers grants after their acceptance, as inappropriate administration can result in the failure to meet all grant requirements, potentially resulting in the need to return some or all of the resources to the provider.

E-2 Impact on Operating Budget

Policy:

When positions are funded by grants, the current and future impact on the operating budget shall be analyzed. When allowable, the cost for providing benefits, such as health insurance, should be included in the grant budget to cover the Town's cost for providing that benefit.

E-3 Impact on Capital Improvement Program and Debt Management

Policy:

When grants are accepted for capital purposes, the Town shall include in its capital improvement program any share of costs associated with the grant and project the Town's share of debt service in its debt management plan. Any future increase or decrease in operating costs associated with the grant should be identified in the Town's revenue /expenditure forecast.

References:

Administering Grants Effectively, Government Finance Officers Association Best Practice, May 2013.

REVIEWED AND AGREED TO AT MEETING 3 (June 27, 2016)

F. ONE-TIME REVENUES POLICIES

F-1 Use of One-Time Revenue

Background:

The Government Finance Officers Association recommends that communities develop guidance on the use of one-time revenues to minimize services disruptions due to the non-recurrence of these sources.

The Division of Local Services states that funding operations with one-time revenues, without identifying future available offsets, effectively postpones difficult decisions necessary to achieve a structurally sound, sustainable spending plan.

Policy:

The Town shall carefully avoid the use of one-time revenue, including Free Cash, to support any ongoing annual operating budget costs. One-time revenues shall be used to fund one-time budget or capital costs, appropriated to reserve funds, or used to address unfunded liabilities.

References:

A Framework for Improved State and Local Government Budgeting, Government Finance Officers Association Recommended Budget Practice, June 2009.

REVIEWED AND AGREED TO AT MEETING 3 (June 27, 2016)

G. UNFUNDED LIABILITIES POLICIES

Background:

Defined as “the actuarial calculation of the value of future benefits payable less the net assets of the fund at a given balance date”, unfunded liabilities represent a significant financial obligation for all levels of government across the country. In Plympton and other Massachusetts municipalities, the two primary unfunded liabilities are for Pensions and Other Post-Employment Benefits (OPEB).

G-1 Pensions/Retirement

Background:

The Contributory Retirement System is a defined benefit program that is governed by Massachusetts General Laws, Ch.32 and is regulated by the Public Employee Retirement Administration Commission (PERAC), a state entity responsible for the oversight, guidance, monitoring, and regulation of Massachusetts' 105 public pension systems. Funding for this system covers the costs of employees who are part of the Town's retirement system, which does not include teachers, as their pensions are funded by the State. Plympton is a member of the Plymouth County Retirement System and pays an annual pension assessment to the County. Pursuant to current state law, the Plymouth County Retirement System has established, as of June 2016, a funding schedule to fully-fund this liability by 2031.

Policy:

In accordance with state law, PERAC regulations and government accounting standards, the Town shall continue to fund this liability in the most fiscally prudent manner, recognizing the fact that the adoption of a funding schedule is, by law, the responsibility of the County retirement board.

References:

M.G.L. c.32

G-2 Other Post Employment Benefits (OPEB)

Background:

OPEB consists primarily of the costs associated with providing health insurance for retirees and their spouses. The Government Accounting Standards Board (GASB) issued Statements No. 43 and No. 45 in 2004 to address the OPEB issue. GASB 43 required the accrual of liabilities of OPEB generally over the working career of plan members rather than the recognition of pay-as-you-go contributions, while GASB 45 required the accrual of the OPEB expense over the same period of time. The reporting requirements of GASB 43 and 45 include disclosures and schedules providing actuarially determined values related to the funded status of OPEB. This requires that the accrued liabilities be determined by a qualified actuary using acceptable actuarial methods. Plympton appropriated $160,000 into an OPEB trust for FY2017, bringing the trust fund balance to $180,000 as of June 2016.

Policy:

While there is currently no legal requirement to fund OPEB, the Town recognizes the importance and financial advantage of initiating early and regular funding for these long-term obligations. The Town will endeavor to appropriate one-time revenues, free cash balances above the 2.5 percent target and other available funds into the irrevocable trust established under MGL c. 32B, §20. In order to determine the funding schedule, the Town shall continue its current practice of having an independent actuary prepare biennial valuations, which is in compliance with GASB's requirement. Careful consideration shall be given to identifying the investment vehicle that offers the best rate of return in the safest possible environment.

References:

Statement No. 43, *Reporting for Postemployment Benefit Plans Other Than Pension Plans,* Governmental Accounting Standards Board, April 2004.

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* Governmental Accounting Standards Board, June 2004.

GASB Statements 43 and 45 on Other Postemployment Benefits, Governmental Accounting Standards Board.

REVIEWED AND AGREED TO AT MEETING 3 (June 27, 2016)

H. RISK MANAGEMENT POLICIES

H-1 Risk Management Program

Background:

In recognition that during daily operations, a municipality is constantly exposed to potential impact of property loss, personal injury, and liability, the Government Financial Officers Association recommends that governments develop a comprehensive risk management program that identifies, reduces or minimizes risk to its property, interests, and employees. Costs and consequences of harmful or damaging incidents arising from those risks should be contained.

Policy:

The Town's insurance programs shall be aimed at covering the potential impact of the types of property loss, personal injury, and liability the Town is exposed to on a regular basis. The Town shall develop and maintain a risk management program to protect the Town against the financial consequences of accidental loss of property, liability and personal injury to the extent possible through effective prevention and loss control policies and practices.

References:

Creating a Comprehensive Risk Management Program, Government Finance Officers Association Best Practice, March 2009.

REVIEWED AND AGREED TO AT MEETING 4 (July 18, 2016)

I. ACCOUNTING/AUDITING/FINANCIAL REPORTING POLICIES

I-1 Annual Audit

Background:

The objective of an audit is to obtain independent assurance that a community's year-end financial statements are reliable, accurate, and complete. An audit also helps to ensure that financial checks and balances are in place to protect public assets. Consequently, it can be a powerful tool by which a community can build taxpayer confidence in government operations.

The Government Finance Officers Association (GFOA) recommends that communities engage the same auditor by entering into multiyear agreements, or a series of one-year contracts, for a term of at least five years. A multiyear agreement allows for greater continuity and enables a new auditor to spread initial start-up costs over multiple years, potentially reducing costs in the initial years. However, after this term, the GFOA recommends a full, competitive selection process and a rotation of auditors after each multiyear agreement, provided there is adequate competition among qualified auditors. Contracting with a new audit firm not only brings a fresh perspective, but it also reflects good practice. Where competition is limited, participation of the current auditors is acceptable, assuming their past performance has been satisfactory and conformed to industry standards. In the event the Town chooses to remain with an audit firm, it is advisable to rotate the audit manager on a regular basis.

Policy:

The Town shall have an independent outside audit performed by a certified public accountant each year. The Board of Selectmen shall provide for such an audit by an accountant or a firm of accountants, who have no personal interests, direct or indirect, in the fiscal affairs of the Town government or of any of its officers or employees. The town will either re-advertise for auditing services every five to eight years or ensure that there is a regular rotation of audit managers within a particular firm if it elects to stay with a given audit firm.

The Town will strive to have the annual audit completed by January 1st of the following year. The Town is required to submit completed audits to the DLS Director of Accounts by the time the Town sets a tax rate each year.

References:

Plympton Town Charter Sec. XXX. Independent Audit.

Annual Audits, MA DOR Division of Local Services Best Practice.

I-2 Monthly Reporting

Background:

Monthly reporting helps a community determine whether sufficient funds are available to cover current obligations, any surplus can be invested, or shortfall exists requiring temporary borrowing.

Policy:

The Town Accountant shall produce and distribute monthly budget-to-actual reporting to evaluate the Town's financial position. This will enable the town to take prompt management action in the event that fiscal problems are indicated or adjust spending behavior to meet financial challenges. If financial problems are indicated, the Accountant will review with the Finance Committee and the Board of Selectmen to determine the appropriate action or response.

References:

Cash Flow Forecast in Treasury Operations, Government Finance Officers Association Best Practice, February 2011.

I-3 Cash Collections

Background:

One of a government's functions is to collect taxes and other revenues. The process involves many actors including the Treasurer/Collector's office, accounting office, legal counsel, tax assessor, other departments or agencies, other governments at the state and/or local level, commercial banks, and private collection agencies.

Policy:

The Town shall collect all revenue using fair and consistent methods, exercising all powers provided to it under law.

On or before September 1st, the Town shall commence tax title proceedings against all properties that owe property taxes to the Town.

The Collector/Treasurer shall establish and maintain reliable record keeping systems and enforce a timely collections process. All amounts committed must be supported with a warrant and a detailed listing of all amounts due. All monies received should be turned over to the Collector/Treasurer's office at least weekly so they may be deposited in the bank in a timely manner.

The Collector/Treasurer shall aggressively pursue the collection of delinquent accounts and with assistance from the Deputy Collector and other Town officials to pursue collection of outstanding real estate taxes, personal property taxes, excise taxes and fines. The execution of a systematic and deliberate program to collect taxes owed is intended not only to capture revenue, but also to establish a clear policy that tax delinquents will be aggressively pursued. The Collector/Treasurer shall execute in a timely manner collection remedies such as issuance of demands immediately after bills become past due and initiate tax taking shortly afterwards to increase the rate of collection of municipal monies, thereby assisting in the financial stability of the Town.

References:

Revenue Collection, Government Finance Officers Association Best Practice.

I-4 Reconciling Cash and Receivables

Background:

Two of the largest assets for a community are cash and receivables. Information pertaining to these is kept by the Treasurer/Collector, and the Accountant. The Treasurer is the custodian of the community's revenues, tax titles, and tax possessions, the Collector keeps listings of outstanding receivables due to the community, and the Accountant is responsible for maintaining the accounting records. Prompt and frequent reconciliations between these offices are essential in order to maintain control and ensure checks and balances are in place.

Policy:

Within fifteen business days after the end of each month, the Collector/Treasurer shall internally reconcile the cashbook to all bank statements, and the Collector/Treasurer shall internally reconcile all receivable balances with the receivable control. The results of these activities shall be forwarded to the Accountant's office and compared to the general ledger records. If differences are determined, the Collector/Treasurer and Accountant shall reconcile the variances (e.g., missing information, errors, and timing differences).

The Town shall reconcile revenues and expenditures for each fiscal year within one to two months of the end of the fiscal year.

References:

Reconciling Cash and Receivables, MA DOR Division of Local Services Best Practice.

I-5 Cash Flow Forecasting and Budgeting

Background:

The purpose of cash flow forecasting is to determine whether sufficient funds are available to cover current obligations, any surplus can be invested, or if any cash shortfall exists which may requiring temporary borrowing.

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 necessary coincide with expense patterns, which often results in cash surpluses or shortfall during certain periods of the year.

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

Policy:

Beginning in FY2018, 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.

References:

Cash Flow Forecast in Treasury Operations, Government Finance Officers Association Best Practice, February 2011.

REVIEWED AND AGREED TO AT MEETING 4 (July 18, 2016)

J. PROCUREMENT AND PURCHASING POLICIES

J-1 Procurement and Purchasing Policy

Background:

The Commonwealth of Massachusetts establishes municipal purchasing regulations under M.G.L. Chapter 30B, and other related regulations. The State Inspector General's office has oversight of public purchasing laws and has published a comprehensive guide to Chapter 30B requirements.

Policy:

The Town shall follow the guidance contained in the Inspector General's "*The Chapter 30B Manual: Procuring Supplies, Services and Real Property*" in order to comply with the requirements of M.G.L. Ch. 30B. To supplement this guidance, the Town Coordinator, or future Town Administrator, will develop a concise directive on purchasing procedures for department heads or others involved in Town purchasing or procurement. This will be accomplished during FY2017.

REVIEWED AND AGREED TO AT MEETING 4 (July 18, 2016)

K. INVESTMENT POLICIES

K-1 Investment Policy

Background:

A local government's investment policy establishes guidelines and responsibilities in accordance with state law for managing and investing municipal funds.

The Governmental Accounting Standards Board recommends the disclosure of key policies affecting cash deposits and other long-term investments to ensure they are managed prudently or are not subject to extraordinary risks

When assessing municipalities for credit quality, rating agencies look for investment management policies that address selection of financial institutions for services and transactions, risk assessment, investment objectives, investment maturities and volatility, portfolio diversification, safekeeping and custody, and investment performance reporting, benchmarking, and disclosure.

Policy:

The Treasurer-Collector is responsible for investing Town funds and will make all decisions regarding their management. The Treasurer-Collector shall invest Town funds in a manner that meets daily operating cash flow requirements and conforms to state statutes governing public funds, while adhering to generally accepted diversification, collateralization, and the prudent investment principles of safety, liquidity and yield. The Treasurer-Collector will also regularly monitor statutory changes governing investments and offer any policy amendments.

References:

M.G.L. c. 44, §54 M.G.L. c. 44, §55 M.G.L. c. 44, §55A M.G.L. c. 44, §55B

Deposit and Investment Risk Disclosures, Governmental Accounting Standards Board Statement No. 40, as amended by Statement No. 3, March 2003.

Creating an Investment Policy, Government Finance Officers Association Best Practice, October 2010.

Financial Management Assessment, Standard and Poor's, June 2006.

K-2 Post-Issuance Tax Compliance Procedure for Tax-Exempt Debt Obligations and Other Tax-Benefited Obligations

Background:

Post-issuance compliance procedures are designed to provide for the effective management of a municipality's post bond or note issuance compliance program for tax-exempt and other tax-benefited bonds in a manner consistent with state and federal laws applicable to such obligations.

Policy:

The Treasurer-Collector shall review post-issuance compliance procedures at least annually and implement revisions or updates as deemed appropriate, in consultation with bond counsel.

REVIEWED AND AGREED TO AT MEETING 4 (July 18, 2016)