



Franklin Regional Council of Governments

December 7, 2016

Select Board
Town of Rowe
321 Zoar Road
Rowe, MA 01367

Dear Select Board Members:

I am pleased to transmit the final copies of Rowe's new Financial Policies. The documents, attached herewith, were developed and funded under the Baker-Polito Administration's Community Compact Program — an initiative designed to encourage Massachusetts cities and towns to adopt and implement best practices.

Through its compact with the State Division of Local Services, the Town of Rowe agreed to develop, adopt, and adhere to sound financial policies with the goal of providing important structure and consistency to local fiscal policy decisions.

To assist the town, consulting services were provided by the Franklin Regional Council of Governments. The FRCOG's Municipal Finance Specialist provided close guidance to and worked collaboratively with local officials and staff leading to the successful completion of this project.

On recommendation of the Rowe Finance Committee, the Select Board formally adopted these policies on November 16, 2016. Each year, it shall be the responsibility of the Finance Committee to determine whether the operating and capital budget recommendations presented to it for review comply with the financial policies of the Town.

The Town of Rowe now has documented guidelines for financial decision-making and a foundation on which it can further build. It has the means to establish consistent, sound practices which, over time, can help strengthen public confidence that taxpayer dollars are managed well and spent wisely.

Congratulations to the Town of Rowe for this accomplishment.

Linda Dunlavy, Executive Director
Franklin Regional Council of Governments



Town of Rowe



FY17

Financial Policies



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Town Financial Policies

The purpose of financial policies is to provide the Town with an underlying foundation for fiscal decision-making and with guidelines that will:

- Remain consistent from year- to-year and thereby enhance stability and continuity in government
- Promote sound annual budget practices and accountability in government
- Advance the achievement of long-term town-wide goals, including capital investment
- Provide for the maintenance of reserves so that the town is well-positioned to address emergency or unforeseen events
- Protect the town's bond rating and in turn reduce its borrowing costs and thereby minimizing the burden on taxpayers
- Instill confidence among residents that taxpayer dollars and other town resources are spent wisely and responsibly
- Reflect actions intended to help retain and enhance the character of the town and quality of life in it for residents

Approval & Review of Policies

The financial policies of the Town take effect upon the review and formal approval of the Selectboard and Finance Committee. Recommended policies can originate from a department head or appointed board or committee which reports to the Selectboard. Elected boards, committees or commissions often set policy for the departments they oversee. Nonetheless, also soliciting a positive opinion from the Selectboard, the lawfully recognized chief policy making entity for the Town, is a sound and prudent practice.

The financial policies of the Town should be reviewed periodically on vote of the Selectboard by a committee appointed by it, which may be the Finance Committee, or by the board, committee or commission overseeing a department.

The Finance Committee should be charged, each year during the budget process, to determine whether the operating and capital budget recommendations presented to it for review comply with the financial policies of the Town.

The financial policies contained herein were initially reviewed by the Town of Rowe Finance Committee and subsequently adopted on November 16, 2016 by the Town Selectboard.

Budget Guidelines

Implementation of a well-founded budget process is a measure by which residents often gauge the performance of municipal government. The budget document itself is a mechanism for communicating town revenue setting policies, spending priorities and financial goals. A consistent budget process sets clear expectations for department heads and valuable predictability for residents from year-to-year. To advance these worthwhile goals, it is therefore the policy of the Town that:

- The annual budget development will consistently follow a process where roles and responsibilities are clear
- A balanced annual operating budget will be presented to Town Meeting for its approval
- Efforts will be directed to produce a budget which is structurally balanced, that is, where recurring revenues fully fund recurring expenditures
- One-time, or non-recurring, revenue will not be used to support recurring expenditures, but will be reserved for capital, emergency or other one-time spending purposes
- Revenue projections will be conservative with the intent to maximize the Town's ability to maintain Free Cash levels
- Departmental appropriation requests in the spring will represent amounts needed to fund respective programs and services for the entire ensuing fiscal year
- No department, board, committee, commission or person with spending authority will knowingly incur an appropriation deficit, which is not already permitted by law
- Free Cash certified in the Fall will not be used to supplement department budgets approved in the Spring, but will be retained as a reserve for use in case of emergency or significant unforeseen circumstances

Financial Reserves Policies

The establishment and maintenance of adequate financial reserves are essential in providing the Town with financial flexibility and security and can be used to finance unforeseen or emergency needs, to hold money for specific purposes, or in some cases, to serve as a revenue source for the annual budget.

Levels of reserved fund balance and unrestricted fund balance in the General Fund are monitored by credit rating agencies in evaluating creditworthiness that impacts the Town of Rowe 's bond rating and consequently, its cost to fund major capital projects through long term borrowing. Therefore, the Town shall establish the following prudent financial goals and policies for funding and maintaining reserves.

Like all towns, Rowe General Fund revenues are derived from property taxes, state aid and local receipts. However, the Town benefits from strong revenues characterized as “Other” which far exceeds the statewide average for towns.

FY	Tax Levy	State Aid	Local Receipts	All Other	Total Receipts
2007	2,522,698	177,515	82,125	438,089	3,220,427
2008	2,750,210	176,085	83,060	1,432,837	4,442,192
2009	2,824,985	216,322	74,880	407,839	3,524,026
2010	2,901,252	216,382	82,280	848,814	4,048,728
2011	2,990,504	195,062	72,650	574,958	3,833,174
2012	3,085,081	186,307	76,580	899,247	4,247,215
2013	3,483,059	250,093	70,700	653,073	4,456,925
2014	3,299,827	216,610	53,000	332,769	3,902,206
2015	3,421,283	216,148	56,200	868,699	4,562,330
2016	3,549,636	256,137	54,210	355,924	4,215,907

Overall Goal

It shall be the overall goal of the Town to maintain a combined reserve level from all sources of no less than five (5) percent of the annual General Fund revenues with preferred target of 10 percent.

Free Cash Policy

Free cash refers to the remaining year-end balance of the Town's General Fund determined to be unreserved and undesignated, and not offset by deficits. Primary sources of Free Cash are revenues in excess of projections and unexpended departmental appropriations as of June 30. Free Cash is available for appropriation after July 1 and only after it is certified by the State Department of Revenue's Division of Local Services based on a balance sheet and other documents submitted by the Town.

Between FY07 and FY14, certified Free Cash ranged from \$136,900 (2013) to \$221,100 (2011) and five (5) percent of General Fund revenues on average. In FY2015 and FY2016, the Town generated \$305,277 and \$371,773 Free Cash, and 6.7 percent and 8.8 percent of General Fund revenues respectively.

FY	Revenues	Free Cash	% of Rev
2007	3,220,427	182,640	5.7%
2008	4,442,192	215,799	4.9%
2009	3,524,026	220,567	6.3%
2010	4,048,728	197,367	4.9%
2011	3,833,174	221,110	5.8%
2012	4,247,215	194,929	4.6%
2013	4,456,925	136,894	3.1%
2014	3,902,206	191,289	4.9%
2015	4,562,330	305,277	6.7%
2016	4,215,907	371,773	8.8%
avg		223,765	5.5%
high	(2016)	371,773	
low	(2013)	136,894	

It shall be the policy of the Town:

- To maximize opportunities to create Free Cash and to strive toward an annual Free Cash level of five (5) percent or greater of annual General Fund revenues
- To restrict the use Free Cash, to the extent possible and practical, to one-time expenditures; to build or replenish the Town's Stabilization Funds; and to reduce the tax rate
- To refrain, under normal circumstances, the use of Free Cash to fund the operating budget or other recurring expenditures

Stabilization Fund Policy

The General Stabilization Fund shall serve as the Town's main financial reserve for use in the event of an emergency or extraordinary need, as well as for other non-recurring and/or capital expenditures.

The Town's General Stabilization Fund balance was in FY2016 at its lowest level in the last ten years, but has still been historically strong, averaging over 40 percent of revenues.

FY	Revenues	Stabilization	% of Rev
2007	3,220,427	2,203,100	68.4%
2008	4,442,192	2,299,194	51.8%
2009	3,524,026	2,126,286	60.3%
2010	4,048,728	2,066,158	51.0%
2011	3,833,174	2,101,673	54.8%
2012	4,247,215	1,696,630	39.9%
2013	4,456,925	1,556,425	34.9%
2014	3,902,206	1,561,307	40.0%
2015	4,562,330	1,716,830	37.6%
2016	4,215,907	1,012,500	24.0%
avg		1,834,010	45.3%
high	(2008)	2,299,194	
low	(2016)	1,012,500	

It shall be the policy of the Town:

- To maintain a General Stabilization Fund balance equivalent to three (3) percent to five (5) percent of the Town's General Fund operating budget.
- This policy shall not apply to any special purpose stabilization fund created under Section 5B by the Town.

Finance Committee Reserve Policy

The Finance Committee reserve is authorized by MGL Chapter 40, §6 for extraordinary and unforeseen expenditures.

- It shall be the goal of the Town to establish a reserve fund under the provisions of MGL Chapter 40, Section 6 and to restrict its use to for extraordinary and unforeseen expenditures.
- It is the policy of the Town that all requests for a reserve fund transfer must first be submitted to the Selectboard. The Finance Committee shall not act on any transfer request unless it has been duly presented to and reviewed by the Selectboard.
- Any unexpended reserve fund balance at the end of the fiscal year shall revert back to the General Fund and toward the calculation of Free Cash.

Departmental Transfer Requests

Departments may request additional funds for the current fiscal year only for costs that arise or are unanticipated due to emergency or unforeseen circumstances.

All requests for fund transfers must be submitted first to the Selectboard, which in consultation with the Finance Committee, shall determine whether:

- the cited circumstances qualify as emergency or unforeseen;
- alternatives exist for addressing the cited circumstances and cost; and
- the transfer request:
 - should be directed to the Finance Committee for a transfer from its reserve (MGL c.40 §6);
 - should be addressed as a line-item transfer submitted to the Selectboard for approval in conjunction with the Finance Committee after May 1 and before July 15. (MGL c.44 §33B(b));
 - should be addressed as a line-item transfer submitted to the Annual or a Special Town Meeting for approval (MGL c.44 §33B).

Debt Management Policy

A. Purpose of policy and goals

The Town Treasurer has statutory responsibility for initiating borrowings and overseeing the Town's debt obligations. Accordingly, a prerequisite for adopting this policy is its acceptance by the Treasurer.

The purpose of this policy is to establish guidelines for the Town, acting through the Treasurer, for issuing and managing its debt. This policy is also intended to provide guidance regarding the purposes for which debt may be issued, types and amounts of permissible debt, timing and method of sale that may be used, and structural features that may be incorporated. Adherence to a debt management policy helps to ensure that government maintains a sound debt position and that credit quality is protected.

It is the intent of the Town of Rowe to establish a debt management policy to:

- ensure high quality debt management decisions
- impose order and discipline in the debt issuance process
- promote consistency and continuity in the decision making process
- demonstrate a commitment to long-term financial planning objectives
- ensure that the debt management decisions are viewed positively by the rating agencies, investment community, and taxpayers

Massachusetts General Laws, Chapter 44, Sections 7 & 8 regulate the purposes for which municipalities may incur debt, and the maximum maturity for bonds issued for each purpose. MGL Ch. 44, Sec 10 specifies that the debt limit for towns is five (5) percent of Equalized Valuation. Various federal laws, regulations and agencies also have requirements with which the Town must comply.

B. Bond Rating

The community's bond rating directly influences the rate of interest it pays when selling bonds and notes to raise funds as well as the level of market participation (number of bidders) it can expect. Other things being equal, the higher the bond rating, the lower the interest rate. Bond analysts including

Moody's, Standard & Poor's, and Fitch typically look at the following four factors in assigning a credit rating:

Debt Factors: debt per capita, debt as a percentage of equalized valuation, rate of debt amortization, and the amount of exempt versus non-exempt debt.

Financial Factors: operating surpluses or deficits, free cash as a percent of revenue, state aid reliance, property tax collection rates, and unfunded pension liability.

Economic Factors: property values, personal income levels, tax base growth, tax and economic base diversity, unemployment rates, and population growth.

Management Factors: governmental structure, the existence of a capital improvement plan (CIP), the quality of accounting and financial reporting, etc.

The Town of Rowe shall continually strive to maintain the highest bond rating through prudent debt management, sound financial procedures, healthy reserve levels and strong management practices.

C. Debt Guidelines

General Fund Debt Service: The Town recognizes that maintaining debt levels within supportable standards signifies a commitment to maintaining and improving its infrastructure, to controlling taxpayer burden and favorably impacts credit ratings. However, it is important to limit debt service costs as a percentage of the town's total revenue. Therefore,

1. It shall be the Town's policy to establish a debt service ceiling of ten (10) percent. The annual debt service payable on issued General Fund debt, including debt exclusions and after all subsidies, reimbursements and offsets are accounted for, shall not exceed ten (10) percent of the Town's annual General Fund revenue.
2. If by vote of the Selectboard, an emergency or significant unforeseen circumstance is declared which can only be addressed through borrowing, the Town may exceed the debt service ceiling.
3. As control mechanisms:

- a. The Town will make efforts to incur new debt service in an amount no greater than the roll-off of previously scheduled debt service payments.
- b. The maturity, or term, on any bond issuance will not be greater than the anticipated useful life of what is purchased.
- c. The Town will strive to hold the average maturity on all bonds issuances to ten years or less.
- d. The Town will make efforts to adopt debt service payment schedules where fifty (50) of principal in each issuance is paid-off half-way through the term of the bond.

Investment Policy

Massachusetts General Laws require each Town, acting through its treasurer, to invest all public funds, with the exception of funds intended for immediate distribution. Statutes set out for treasurers as well investment rules and guidelines for various town funds.

It is the intent of the Town of Rowe to comply with all the investment requirements of and guidelines in state law and regulations. Therefore, it is the policy of the Town:

1. To pursue investment objectives that

First, protect the safety of investment principal and preservation of capital through the mitigation of credit risk and interest rate risk;

Second, ensure portfolio liquidity in order that sufficient funds are available to meet all operating requirements that may be reasonably anticipated, but not at the risk of forfeiture of accrued interest earnings or loss of principal; and

Third, achieve a fair market average rate of return.

2. To negotiate the optimum balance between collateral protection and yield level through legal investment vehicles that include in unlimited amounts: the Massachusetts Municipal Depository Trust (MMDT); U. S. Treasury Bonds; U. S. Agency obligations; fully collateralized bank accounts of certificates of deposit; in F.D.I.C. protected bank accounts of certificates of deposit up to \$250,000; and in unsecured bank deposits subject to strict asset limitations.
3. To manage short term investment decisions in accordance with the requirements of MGL c.44 §55;
4. To build diversification into the Town's portfolio a) in terms of maturity and b) in terms of instrument type and issuer, with the exception of U. S. Treasury obligations and agencies, state pools and investments fully collateralized.

5. To set performance expectations that the Treasurer, and any assistant Treasurer, act in strict adherence with the state conflict of interest law under MGL c.268A.
6. To make overall investment decisions in accordance with “prudent person” standards under MGL c. 203C or as otherwise allowed by state law.

Audit Policy

The purpose of this policy is to underscore the Town's commitment to the completion of periodic independent audits, and in doing so, to strengthen public confidence that:

- the Town's year-end financial statements are reliable, accurate, and complete;
- internal financial controls are in place and executed to protect community assets;
- departmental procedures are sound;
- credit rating agencies have evidence that the Town's financial condition is healthy
- the Town has a management tool for measuring performance.

Therefore, it is the policy of the Town, that

1. an audit of the Town's year-end financial statements shall occur regularly;
2. the principal person engaged to complete the audit is a Certified Public Accountant with Massachusetts municipal audit experience;
3. when securing a new audit contract, the Town will circulate a request for proposals or will solicit requests from multiple, selected audit firms or individuals.
4. the Town will put forward its best efforts to enter an audit agreement that, in addition to customary terms, includes estimated dates for the start and completion of the audit, and requires a formal presentation of audit results to the Town;
5. the Town will with best efforts address, with corrective action, comments and issues presented in the auditor's management letter.

Other Post-Employment Benefits Policy

Other Post-Employment Benefits (OPEB) refer to non-pension benefits that town employees earn while actively working, but do not receive until they retire. The largest OPEB cost is for health insurance, but coverage for dental, vision, prescription drugs, etc. can be included as well. In 2004, the Governmental Accounting Standards Board (GASB Statements 43 & 45) directed that towns identify and account for these liabilities. More recently, whether a Town has a policy for addressing OPEB has become a concern of auditors and bond rating agencies.

Therefore, in order to avoid any potential detrimental impact OPEB costs might have on the Town's annual operating budget; to help ensure positive audit results; and to protect the Town's bond rating, it is the policy of the Town to:

- Explore the establishment of an OPEB liability trust fund in accordance MGL, Chapter 32B, §20
- Arrange for the completion of an OPEB actuarial analysis every three years as required by GASB Statements 43 & 45.
- To appropriate in the Town General Fund budget an amount each year into the OPEB liability trust fund.
- To work toward the development of contribution schedule that projects full OPEB funding.

Departmental Receipts

All monies received by any town department, board or committee must be accurately accounted for and then turned over to the Town Treasurer in accordance with the town's turnover procedures. Under no circumstances may a department spend the funds it collects unless allowed by state law or local policy. Receipts include, but are not limited to, taxes, excises, fees, penalty charges, grants and gifts, whether received in the form of cash, coin, check or other draft, wire or other electronic funds transfer.

- Whenever possible, money should be collected in the form of a check addressed to the Town of Rowe and, in every instance, a pre-numbered receipt should be completed for departmental records, whether or not the customer requests one.
- All departments should maintain a receipts log, in electronic or hard copy form that records the date and amount of a payment received, the person's name making the payment and the purpose of the payment. Total recorded receipts should be reconciled with amounts indicated on a departmental revenue report that is periodically received, or can be requested, from the Accountant.
- All department staff receiving or otherwise permitted to handle funds on behalf of the town must be covered by a surety bond. Accordingly, department heads must submit to the Treasurer the names of all such staff.
- All collections in the possession of a Department must be locked overnight in a safe, vault, desk draw or file cabinet.

Departmental Turnovers

All departments accepting money on behalf of the Town must turn over collections to the Town

Treasurer:

- at least once a week if receipts are routinely greater than \$100 per week, or
 - immediately when on-hand money reaches \$100, or
 - at least once a month regardless of amount.
-
- Cash, coins and checks must be submitted to the Treasurer together with an original and two completed copies of a Schedule of Departmental Payments to Treasurer form, aka Turnover Sheet (in an electronic format or in hard copy).
 - The Treasurer or Assistant Treasurer shall verify that the total amount in cash, coins and checks submitted match the total amount indicated on the Turnover Sheet preferably in the presence of the departmental staff person delivering the collections. Any variance shall be noted as a correction on the original turnover sheet and on the two copies.
 - The Treasurer's Office retains the original the Turnover Sheet, the Department keeps a copy and the Department representative delivers a separate copy to the Accountant.
 - Departmental receipts should be delivered to the Treasurer or Assistant Treasurer during normal business hours, or deposited into the office lock box if the Treasurer or Assistant Treasurer is not available. Receipts should not be left unattended or in any unsecured location.

Departmental Expenditures

Once a budget is approved, department heads have responsibility for ensuring that they only spend within the allocated amount. It is illegal to spend over budget allocations except in very limited circumstances. If sudden or unforeseen expenditures arise, and/or the department head determines that there is not enough funding to continue to June 30, he or she should contact the Select Board as soon as possible.

Vendor and Payroll warrants shall be processed and payments shall be disbursed every two weeks in accordance with a schedule established by the Accountant prior to the start of the fiscal year.

Pursuant to state law, vendor payments will be made only after goods are received by and services are rendered to the Town.

Requests for payment should be made on standard forms. Requests must indicate the expense account to be charged, an original invoice and the signature of a department head or others authorizing the payment.

Given that increasingly vendors are switching to electronic invoices in order to “go green” the following are guidelines will be followed:

1. If the invoice is in the form of an email, please print the entire correspondence, including any attachments and submit as a whole. The auditors look at the URL on the bottom or top of the invoice to verify authenticity.
2. If it is a PDF document, please submit that along with the announcement email (like “your invoice is ready and can be accessed from this link.”)
3. Complete a bill schedule as usual. Invoices still must be in the proper format (no tax charged, listing name, phone and address of vendor, date of service/purchase, and amount for each service/purchase as well as any other detailed description of goods and services.

Purchasing Policy

Department Heads and Employees shall utilize established accounts with vendors (i.e. Staples, Baker Office Supply, A.L. Avery, Big Y) for most routine purchases.

The Town will centralize purchasing, whenever practical, of supplies and other goods commonly consumed by town offices.

It is the responsibility of all department heads and all others with spending authority to understand procurement rules under MGL Chapter 30B as they apply to municipalities. In general, Chapter 30B establishes the following rules for routine departmental purchases of goods and services (not associated with a construction project):

- Under \$10,000 - “sound business practices”¹ should be used with the award going to vendor offering the best price.
- Between \$10,000 and \$50,000 - three quotes, which can be written or oral, must be solicited in advance. The award goes to a responsive² and responsible³ vendor offering the best price. To ensure that there is no discrepancy in what is told to each vendor from whom quotes are solicited, a purchase description should be written in advance. Information collected must include the purchase description previously written, date of the quote, amount of the quote, delivery schedule, comment on any variance between what is sought and offered, and a description of any conditions to the purchase.

¹ Sound business practice is “ensuring the receipt of favorable prices by periodically soliciting price lists of quotes.” MGL c.30B §2.

² A responsible bidder or offeror is “a person who has the capability to perform fully the contract requirements, and the integrity and reliability which assures good faith performance” MGL c.30B §2.

³ A responsive bidder or offeror is “a person who has submitted a bid or proposal which conforms in all respects to the invitation for bids or request for proposals.” MGL c.30B §2.

A written contract is required ⁴. It must be signed by the vendor and Town representative authorized to sign contracts. The original of all contracts must be submitted to the Accounting Department. Departments must retain a copy.

- Over \$50,000 – purchases must be competitively bid or solicited through a Request for Proposals (RFP), unless the goods and services are (1) exempt from bidding under MGL Chapter 30B, (2) found on the State Procurement list, or (3) evidence of a sole source is documented.

Before initiating a bid or RFP process, the department head with spending authority must consult with the Town's Chief Procurement Officer (CPO).

The State Office of the Inspector General enforces Chapter 30B and provides guidance on its website at www.mass.gov/ig.

⁴ "All contracts in the amount of \$10,000 or more shall be in writing, and the governmental body shall make no payment for a supply or service rendered prior to the execution of such contract." MGL c.30B §17(a).

User Fee Policy

User fees reflect departmental charges and voluntary payments by residents for permits, licenses, program participation and services provided.

- Town fees shall be reviewed periodically as directed by the Selectboard or the elected Board, Committee or Commission that oversee a department or program.
- Individual fees shall be set so that total anticipated annual receipts reasonably cover the estimated yearly cost to provide the program or service.
- Unless otherwise allowed, all user fees collected by departments, officers, boards, committees and commissions must be turned-over to the Treasurer in accordance with the Town's Turnover procedures.
- The Town shall strive to maintain a master list of user fees including a brief description of the fee, the department, etc., that collects it and the last time it was reviewed.

Anti-Fraud Policy

Public trust is critical to the success and integrity of municipal government. Employee confidence in government is equally essential. The Town of Rowe understands the value of these goals and is committed to protecting its revenue, property, information, and other assets from any attempt, either by members of the public, contractors, vendors, agents or its own employees, to gain by deceit, financial or other benefits at the expense of the taxpayers.

Town Officials and employees must, at all times, comply with all applicable laws and regulations. The Town will not condone the activities of officials or employees who achieve results through violation of the law or unethical business dealings. The Town does not permit any activity that fails to stand the closest possible public scrutiny.

Through prevention, detection, investigation and swift corrective action, the Town will make known its expectations for employee conduct and its intent to deter all forms of fraud and threats to the security of our assets or our reputation. The details of the Town's efforts will be incorporated into the Town of Rowe Personnel Policy.

- The Town will inform employees as to the meaning, definitions and actions that constitute fraud, including but not limited to asset misappropriation, larceny, corruption, fraudulent statements or financial reporting and incurrence of expenditures and liabilities for improper purposes.
 - The Town will apply this policy to all elected officials, appointed officials, committee members, board members, volunteers, interns, and all employees (full-time, part-time, seasonal, and/or casual) of the Town. This policy also applies to any business or individual doing business with the Town.
 - The Town will adopt protocols for employees to follow, without risk of retribution, for reporting suspected fraudulent activity.
 - The town will, through its employees and accepted procedures, act to prevent fraud through the diligent implementation of financial controls and safeguards and will otherwise create a work environment that deters fraudulent activity.

- The Town will investigate any suspected acts of fraud impartially, confidentially and without regard to the position, title, length of service or relationship of any person, group or organization involved.
- The Town will, if suspicion of fraud is substantiated, carefully consider and act to impose lawful and appropriate penalties up to an including dismissal and legal action.

Petty Cash

A department may maintain a Petty Cash fund only if so authorized by the Town Treasurer.

The Treasurer's authorization shall be in memorandum form to the department head stating:

- The town purposes for which the fund is established or can be used, and that the fund is not for personal use;
- The maximum cash balance of the fund, which may not at any time exceed \$100.00;
- The requirement that all expenditures from the fund must be documented by a hard copy receipt.
- The process for replenishing the fund:

The Treasurer may replenish the Petty Cash fund, without separate appropriation, when presented with receipts by the department head evidencing full, or near full, expenditure of the prior balance.

- The stipulation that departments may not replenish the Petty Cash fund with over-the-counter or other town receipts they collect.

Employee Reimbursements

As a matter of policy, out-of-pocket payments by employees are discouraged. However, recognizing that there are situations when out-of-pocket payments are necessary or unavoidable to meet a public need or departmental purpose, employee reimbursements are allowed.

It is further recognized that the town is served well when its employees attend relevant seminars and conferences in their respective areas of expertise. In these circumstances, employees are eligible for reimbursement for certain out-of-pocket costs.

For Departmental Expenditures:

To avoid reimbursement situations, department heads and employees shall utilize established accounts with vendors (i.e., Staples, Baker Office Supply, A. L. Avery, Big Y) for routine purchases. In the event that an item cannot be procured utilizing established accounts, the following procedures and guidelines must be followed to ensure permitted and prompt reimbursement.

The Town will not, under any circumstances, reimburse employees for out-of-pocket payments for services rendered.

The Town will reimburse the cost of modest refreshments for town staff provided at extended meetings and day-long events that involve official town business.

As a rule, because the Town of Rowe is tax exempt, no sales tax can be reimbursed.

Employee reimbursement for an out-of-pocket expenditure may occur only if all of the following circumstances apply:

- the Department head has approved the purchase in advance, which shall serve as acknowledgement that there is an appropriate line-item account to be charged and there are sufficient funds to cover the cost
- the vendor from whom the purchase is made is unwilling or unable to invoice the town

- there is an immediate need for the item to be purchased

For reimbursement incurred by a board, committee or commission, pre-approval must occur at a duly convened open meeting of the body requesting reimbursement. At least two attending members should sign the Bill Schedule, *or* minutes that reflect the approved expense amount should be provided with the bill.

For Employee Travel Expenses

When employees travel to events, seminars or conferences, they may receive reimbursement for out-of-pocket expenses, only if the travel is approved in advance by the department head, or by the Board, Committee or Commission that oversees the department, whose approval shall confirm that:

- the purpose of the travel is directly related to the work of the employee
- there is an appropriate departmental line-item account to be charged
- there are sufficient funds in the line-item account to cover the anticipated cost

Mileage. Employees are encouraged to car pool whenever possible. The Town will reimburse employees for the use of private vehicles at the IRS allowed per mile rate. The Mileage Reimbursement form is available on the Town website.

Tolls. Tolls will be reimbursed when evidenced by a receipt.

Meals. If approved for extended travel, employees may be reimbursed for meals at the federally established per diem rate set @ www.gsa.gov/portal/contact. Meals included in conference fees set by the hosting entity are not reimbursable and reimbursement for all other meal expenses must be pre-approved. No wines, liquors, tobacco costs will be reimbursed per state law. Meals for spouses, other family members, or significant others will not be paid for by the Town.

Accommodations. If overnight stay is approved, employees may receive reimbursement for reasonable hotel accommodations.

Overnight accommodations can be approved if a training session or a conference is over two or more days and the training session or conference location is greater than fifty (50) miles from town, or if evening sessions would require a return commute at unsafe hours or under unsafe conditions.

For all reimbursements, an employee must:

1. Provide an original invoice or one approved under the Town of Rowe's Electronic Invoice Policy is required, and
2. Provide a detailed, original paid invoice from the store or supplier. The person requesting reimbursement shall write a statement, on the receipt, or tape the receipt to a full sheet and write on the sheet, stating: "Please reimbursement me for these items I purchased, and delivered, using (cash, credit/debit, or check), for the purpose of (supplies needed, meeting snacks, services rendered, etc.)" **Please sign and date this statement.**
3. Complete a Bill Schedule. All requests for reimbursement shall be submitted on a completed Bill Schedule. The vendor name will be the individual requesting reimbursement. Please provide the requestor's mailing address if reimbursement is to be mailed.

Glossary of Finance Terms

(Source: State Division of Local Services at

<http://www.mass.gov/dor/docs/dls/publ/misc/dlsmfgl.pdf>)

Audit Committee

A committee appointed by the selectmen, mayor, or city council, with specific responsibility to review a community's independent audit of financial statements and to address all issues relating to it as well as those outlined in the accompanying management letter.

Audit Management Letter

An independent auditor's written communication to government officials, separate from the community's audit. It generally identifies areas of deficiency, if any, and presents recommendations for improvements in accounting procedures, internal controls and other matters.

Audit Report

Prepared by an independent auditor, an audit report includes: (a) a statement of the scope of the audit; (b) explanatory comments as to application of auditing procedures; (c) findings and opinions; (d) financial statements and schedules; and (e) statistical tables, supplementary comments, and recommendations. It is almost always accompanied by a management letter.

Available Funds

Balances in the various fund types that represent non-recurring revenue sources. As a sound practice, they are frequently appropriated to meet unforeseen expenses, for capital expenditures or other onetime costs. Examples of available funds include free cash stabilization funds, overlay surplus, water surplus, and enterprise net assets unrestricted (formerly retained earnings).

Bond Anticipation Note (BAN)

Short-term debt instrument used to generate cash for initial project costs and with the expectation that the debt will be replaced later by permanent bonding. Typically issued for a term of less than one year, BANs may be re-issued for up to five years, provided principal repayment begins after two years (MGL Ch. 44 §17). Principal payments on school related BANs may be deferred up to seven years (increased in 2002 from five years) if the community has an approved project on the Massachusetts School Building Authority (MSBA) priority list. BANs are full faith and credit obligations.

Bond Authorization

The action of town meeting or a city council authorizing the executive branch to raise money through the sale of bonds in a specific amount and for a specific purpose. Once authorized, issuance is by the treasurer upon the signature of the mayor, or selectmen. (See Bond Issue)

Bond Rating

(Municipal) – A credit rating assigned to a municipality to help investors assess the future ability, legal obligation, and willingness of the municipality (bond issuer) to make timely debt service payments. Stated otherwise, a rating helps prospective investors determine the level of risk associated with a given fixed-income investment. Rating agencies, such as Moody's and Standard and Poor's, use rating systems, which designate a letter or a combination of letters and numerals where AAA is the highest rating and C1 is a very low rating.

Capital Assets

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

Capital Budget

An appropriation or spending plan that uses borrowing or direct outlay for capital or fixed asset improvements. Among other information, a capital budget should identify the method of financing each recommended expenditure, i.e., tax levy or rates, and identify those items that were not recommended. (See Capital Asset, Fixed Asset)

Capital Improvements Program

A blueprint for planning a community's capital expenditures that comprises an annual capital budget and a five-year capital program. It coordinates community planning, fiscal capacity and physical development. While all of the community's needs should be identified in the program, there is a set of criteria that prioritizes the expenditures.

Debt Authorization

Formal approval by a two-thirds vote of town meeting or city council to incur debt, in accordance with procedures stated in MGL Ch. 44 §§1, 2, 3, 4a, 6-15.

Debt Burden

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

Debt Exclusion

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

Debt Limit

The maximum amount of debt that a municipality may authorize for qualified purposes under state law. Under MGL Ch. 44 §10, debt limits are set at 5 percent of EQV. By petition to the Municipal Finance Oversight Board, cities and towns can receive approval to increase their debt limit to 10 percent of EQV.

Enterprise Fund

An enterprise fund, authorized by MGL Ch. 44 §53F½, is a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. It allows a community to demonstrate to the public the portion of total costs of a service that is recovered through user charges and the portion that is subsidized by the tax levy, if any. With an enterprise fund, all costs of service delivery--direct, indirect, and capital costs--are identified. This allows the community to recover total service costs through user fees if it chooses. Enterprise accounting also enables communities to reserve the "surplus" or net assets unrestricted generated by the operation of the enterprise rather than closing it out to the general fund at year-end. Services that may be treated as enterprises include, but are not limited to, water, sewer, hospital, and airport services. See DOR IGR 08-101

Equalized Valuations (EQV)

The determination of an estimate of the full and fair cash value (FFCV) of all property in the Commonwealth as of a certain taxable date. EQVs have historically been used as a variable in distributing some state aid accounts and for determining county assessments and other costs. The Commissioner of Revenue, in accordance with MGL Ch. 58 §10C, is charged with the responsibility of biannually determining an equalized valuation for each city and town in the Commonwealth.

Fixed Assets

Long-lived, tangible assets such as buildings, equipment and land obtained or controlled as a result of past transactions or circumstances.

Free Cash (Also Budgetary Fund Balance)

Remaining, unrestricted funds from operations of the previous fiscal year including unexpended free cash from the previous year, actual receipts in excess of revenue estimates shown on the tax recapitulation sheet, and unspent amounts in budget line-items. 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. (See

Available Funds

GASB 34

A major pronouncement of the Governmental Accounting Standards Board that establishes new criteria on the form and content of governmental financial statements. GASB 34 requires a report on overall financial health, not just on individual funds. It requires more complete information on the cost of delivering services and value estimates on public infrastructure assets, such as bridges, road, sewers, etc. It also requires the presentation of a narrative statement analyzing the government's financial performance, trends and prospects for the future.

GASB 45

This is another Governmental Accounting Standards Board major pronouncement that each public entity account for and report other postemployment benefits (See OPEB) in its accounting statements. Through actuarial analysis, municipalities must identify the true costs of the OPEB earned by employees over their estimated years of actual service

Informational Guideline Release (IGR)

A DLS publication that outlines a policy, administrative procedure, or provides a law update related to municipal finance. Refer to online listing of IGRs.

Levy

The amount a community raises through the property tax. The levy can be any amount up to the levy limit, which is re-established every year in accordance with Proposition 2½ provisions.

Levy Ceiling

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

Levy Limit

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

Line-Item Transfer

The reallocation of a budget appropriation between two line-items within an expenditure category (e.g., salaries, expenses). Employed as a management tool, line-item transfer authority allows department heads to move money to where a need arises for a similar purpose and without altering the bottom line. Whether or not line-item transfers are permitted depends on how the budget is presented (i.e., format) and what level of budget detail town meeting approves.

Local Acceptance Statute

A requirement placed within the language of a General Law that a community affirmatively accept the statute by town meeting or city council action or referenda before availing itself of the provisions of the particular law.

Local Aid

Revenue allocated by the Commonwealth to cities, towns, and regional school districts. Estimates of local aid are transmitted to cities, towns, and districts annually by the "Cherry Sheets." Most Cherry

Sheet aid programs are considered general fund revenues and may be spent for any purpose, subject to appropriation.

Local Receipts

Locally generated revenues, other than real and personal property taxes. Examples include motor vehicle excise, investment income, hotel/motel tax, fees, rentals, and charges. Annual estimates of local receipts are shown on the tax rate recapitulation sheet. (See Estimated Receipts)

New Growth

The additional tax revenue generated by new construction, renovations and other increases in the property tax base during a calendar year. It does not include value increases caused by normal market forces or by revaluations. New growth is calculated by multiplying the assessed value associated with new construction, renovations and other increases by the prior year tax rate. The additional tax revenue is then incorporated into the calculation of the next year's levy limit. For example, new growth for FY07 is based on new construction, etc. that occurred between January and December 2005 (or July 2005 and June 2006 for accelerated new growth communities). In the fall of 2006, when new growth is being determined to set the FY07 levy limit, the FY06 tax rate is used in the calculation.

Non-Recurring Revenue Source

A one-time source of money available to a city or town. By its nature, a non-recurring revenue source cannot be relied upon in future years. Therefore, such funds should not be used for operating or other expenses that continue from year-to-year. (See Recurring Revenue Source)

OPEB (Other Postemployment Benefits)

Employees of state and local governments may be compensated in a variety of forms in exchange for their services. In addition to a salary, many employees earn benefits over their years of service that will not be received until after their employment with the government ends. The most common type of these postemployment benefits is a pension. Postemployment benefits other than pensions generally take the form of health insurance and dental, vision, prescription, or other healthcare benefits provided to eligible retirees, including in some cases their beneficiaries. They may also include some type of life insurance. As a group, these are referred to as OPEB. (See GASB 45)

Override

A vote by a community at an election to permanently increase the levy limit. An override vote may increase the levy limit no higher than the levy ceiling. The override question on the election ballot must state a purpose for the override and the dollar amount. (See Underride)

Override Capacity

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

Recurring Revenue Source

A source of money used to support municipal expenditures, which by its nature can be relied upon, at some level, in future years. (See Non-recurring Revenue Source)

Reserve Fund

An amount set aside annually within the budget of a city (not to exceed 3 percent of the tax levy for the preceding year) or town (not to exceed 5 percent of the tax levy for the preceding year) to provide a funding source for extraordinary or unforeseen expenditures. In a town, the finance committee can authorize transfers from this fund for "extraordinary or unforeseen" expenditures. Other uses of the fund require budgetary transfers by town meeting. In a city, transfers from this fund may be voted by the city council upon recommendation of the mayor.

Revolving Fund

Allows a community to raise revenues from a specific service and use those revenues without appropriation to support the service. For departmental revolving funds, MGL Ch. 44 §53E½ stipulates that each fund must be re-authorized each year at annual town meeting or by city council action, and that a limit on the total amount that may be spent from each fund must be established at that time. The aggregate of all revolving funds may not exceed ten percent of the amount raised by taxation by the city or town in the most recent fiscal year, and no more than one percent of the amount raised by taxation may be administered by a single fund. Wages or salaries for full-time employees may be paid from the revolving fund only if the fund is also charged for all associated fringe benefits.

Schedule A

A statement of revenues, expenditures and other financing sources, uses, changes in fund balance and certain balance sheet account information prepared annually by the accountant or auditor at the end of

the fiscal year. This report is based on the fund account numbers and classifications contained in the UMAS manual.

Single Audit Act

For any community that expends \$750,000 or more per year in federal grant awards, the Single Audit Act establishes audit guidelines that reduce to only one the number of annual audits to be completed to satisfy the requirements of the various federal agencies from which grants have been received.

Special Revenue Fund

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

Stabilization Fund

A fund designed to accumulate amounts for capital and other future spending purposes, although it may be appropriated for any lawful purpose (MGL Ch. 40 §5B). Communities may establish one or more stabilization funds for different purposes and may appropriate into them in any year an amount not to exceed ten percent of the prior year's tax levy. The total of all stabilization fund balances shall not exceed ten percent of the community's equalized value, and any interest shall be added to and become a part of the funds. A two-thirds vote of town meeting or city council is required to establish, amend the purpose of, or appropriate money into or from the stabilization fund. (See DOR IGR 04-201)

Tax Rate Recapitulation Sheet (Recap Sheet)

A document submitted by a city or town to the DOR in order to set a property tax rate. The recap sheet shows all estimated revenues and actual appropriations that affect the property tax rate. The recap sheet should be submitted to the DOR by September 1 (in order to issue the first-half semiannual property tax bills before October 1) or by December 1 (in order to issue the third quarterly property tax bills before January 1)

Turnover Sheet

A form, completed by municipal departments, that accompanies the physical transfer of departmental revenues, or bank deposit slips reflecting revenues, to the treasurer.

Override

A vote by a community to permanently decrease the tax levy limit. As such, it is the exact opposite of an override. (See Override)

Undesignated Fund Balance

Monies in the various government funds as of June 30 that are neither encumbered nor reserved, and are therefore available for expenditure once certified as part of free cash. (See Designated Fund Balance)

Uniform Procurement Act

Enacted in 1990, MGL Ch. 30B establishes uniform procedures for local government to use when contracting for supplies, equipment, services and real estate. The act is implemented through the Office of the Inspector General. (See Massachusetts Certified Public Purchasing Official).

Unreserved Fund Balance (Surplus Revenue Account)

The amount by which cash, accounts receivable, and other assets exceed liabilities and restricted reserves. It is akin to a "stockholders' equity" account on a corporate balance sheet. It is not, however, available for appropriation in full because a portion of the assets listed as "accounts receivable" may be taxes receivable and uncollected. (See Free Cash)

User Charges/Fees

A municipal funding source where payment is collected from the user of a service to help defray the cost of providing the service. Note that any increases in the fees must satisfy the three tests set forth in the so called Emerson case . (See Emerson College v. Boston, 391 Mass. 415 (1984))