

# **FINANCIAL POLICY MANUAL | TOWN OF ROWLEY**

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A COMMUNITY COMPACT CABINET INITIATIVE

JULY 2018



# **DLS**

**DIVISION OF LOCAL SERVICES**  
**MA DEPARTMENT OF REVENUE**

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**PREPARED BY:**

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Christopher C. Harding  
Commissioner of Revenue

Sean R. Cronin  
Senior Deputy Commissioner

July 3, 2018

Board of Selectmen  
Town of Rowley  
139 Main Street  
Rowley, MA 01969

Dear Board Members,

I am pleased to present the enclosed set of financial policies for the Town of Rowley as part of the Baker-Polito Administration's Community Compact Cabinet initiative. This collaborative program strives to create clear mutual standards, expectations, and accountability for both the state and municipalities. It is my hope that our guidance provides direction and serves as a resource for local officials as we build better government for our citizens.

If you have any questions regarding the report, please contact Zack Blake, Technical Assistance Bureau Chief, at (617) 626-2358 or [blakez@dor.state.ma.us](mailto:blakez@dor.state.ma.us).

Sincerely,

A handwritten signature in black ink, appearing to read "Sean R. Cronin".

Sean R. Cronin  
Senior Deputy Commissioner

*Supporting a Commonwealth of Communities*

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## INTRODUCTION

At the board of selectmen's request, the Division of Local Services Technical Assistance Bureau (TAB) created a financial policy manual for the Town of Rowley. This project was a result of the Community Compact Cabinet initiative ([www.mass.gov/ccg](http://www.mass.gov/ccg)), whose goal is to encourage the implementation of municipal best practices that promote good governance by fostering efficiency, accountability, and transparency in local government.

All the provided policies should be considered living documents to be periodically reassessed and modified as conditions change. Among them are some that incorporate specific provisions for local leaders to decide upon. An example taken from the debt management policy is: "The Town will attempt to maintain a long-term debt schedule such that at least [50] percent of outstanding principal will be paid within 10 years." In each case, the draft policy has brackets around the decision point with the word(s) in the brackets representing TAB's suggestion based on researched best practices. In these cases, local officials should finalize the decisions and remove the brackets prior to adopting the policies. In addition, there are also some policies that make reference to currently contracted service providers (such as Harpers Payroll), and these should be updated whenever the town changes vendors.

As explained below, please note that specific town meeting actions will be required before Rowley may adopt five of the policies in the entirety of the texts presented here.

OPEB: In 2013, Rowley town meeting accepted [M.G.L. c. 32B, § 20](#) to create a trust fund for other postemployment benefits (OPEB). The Governmental Accounting Standards Board (GASB) subsequently issued Statement 75, which required that an OPEB trust fund comply with the following criteria: 1) the fund's contributions and earnings are irrevocably committed to OPEB use; 2) the OPEB plan's assets are dedicated exclusively to providing benefits to plan members; and 3) the OPEB plan's assets are legally protected against creditors. In light of Statement 75, the Massachusetts legislature modified c. 32B, § 20 to meet the new GASB guidelines. Consequently, we advise the board of selectmen to present town meeting voters with articles that propose the following:

1. Reaccept M.G.L. c. 32B, § 20 to establish a GASB-compliant OPEB trust fund.
2. Authorize the prudent investor rule as detailed in [M.G.L. c. 203C](#) to make available the options required to meet the investment goals of the OPEB trust.
3. Designate as the fund's trustee either the Treasurer or the Essex Regional Retirement Board or opt to establish a separate board of trustees. By statute, such a board must have between five and 13 members and minimally include a person with investment experience, citizen at-large, employee, retiree, and local official.

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

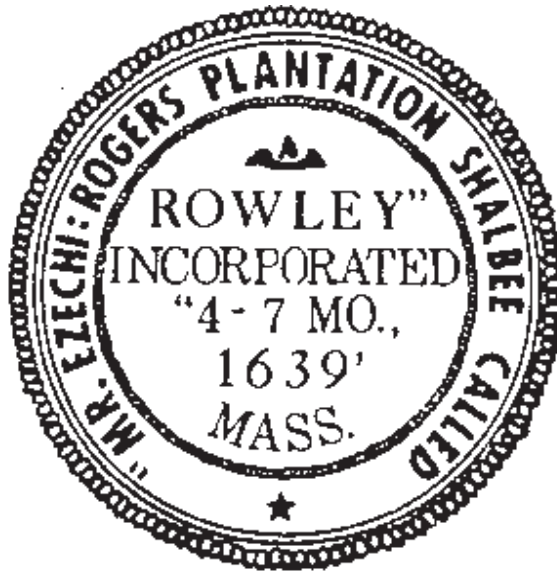
**Chapter X: Payment Agreements for Properties in Tax Title**

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

Capital Planning, Financial Reserves, and Forecasting: Each of these policies refers to a capital investment stabilization fund, but Rowley currently has no such fund. As a best practice, we recommend the town establish a capital stabilization fund as an available, dedicated source to plan for future capital needs, support capital spending in years with large capital requests or low free cash, and finance future debt service payments. Possible annual funding sources include free cash, amounts equal to debt being retired (as a means to maintain debt service levels), and other one-time revenues.

# ROWLEY MASSACHUSETTS

## FINANCIAL POLICIES MANUAL







## **PREFACE**

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

With these policies, the Town of Rowley, through its Board of Selectmen, Town Administrator, Finance Committee, and employees, commits to the following objectives:

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



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## ANTIFRAUD

### PURPOSE

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

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

### APPLICABILITY

This policy pertains to any suspected fraud, abuse, or similar irregularity against the Town. It applies to all elected and appointed Town officials and employees and to any other persons acting on behalf of the Town, such as vendors, contractors, volunteers, casual employees, and grant subrecipients.

### POLICY

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

#### A. Definitions

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

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

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

**Fraud or other irregularity** refers but is not limited to:

- Any dishonest or fraudulent act
- Forgery or alteration of any document or account
- Forgery or alteration of a check, bank draft, or any other financial document
- Misappropriation of funds, securities, supplies, or other assets

- Impropriety in the handling or reporting of money or financial transactions
- Profiteering as a result of insider knowledge of Town activities
- Disclosing confidential or proprietary information to outside parties
- Accepting or seeking anything of material value from consultants, contractors, vendors, or persons providing services or materials to the Town
- Destruction, removal or inappropriate use of records, furniture, fixtures, and equipment
- Any claim for reimbursement of expenses not made for the exclusive benefit of the Town
- Any computer-related activity involving the alteration, destruction, forgery, or manipulation of data for fraudulent purposes
- Any omissions and misrepresentations made in bond offering documents, presentations to rating agencies, and annual financial reports

#### B. Antifraud Responsibilities

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

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

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

#### C. Disclosure

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

### **PROCEDURES**

The Town Administrator will create a set of procedures to be appended to this policy or incorporated by reference. The procedures should cover all of the following at minimum:

1. Procedure and methods for reporting suspicions of fraud, abuse and other irregularities
2. Assignment of responsibilities in response to reported suspicions
3. Employee protections from retaliation
4. Security of investigation documents
5. Treatment of anonymous allegations and false allegations (intentional and unintentional)

6. Personnel disciplinary actions
7. Responsibilities around media contact
8. Training, education and awareness
9. Disclosure requirements and protocols

**REFERENCES**

[M.G.L. c. 149 § 185](#)

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

**EFFECTIVE DATE**

This policy was adopted on [date].

## CAPITAL PLANNING

### PURPOSE

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

### APPLICABILITY

This policy applies to all current and proposed capital projects in the Town except for those that come under the authority of the Community Preservation Committee. It establishes a framework for long-term capital improvements, sets guidelines and expectations for all Town departments in planning for and requesting capital projects, and outlines consensus budgetary goals for the Board of Selectmen and Finance Committee. It also applies to related job duties of the Town Administrator, Town Accountant, and Treasurer/Collector.

### POLICY

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

The Town Administrator is charged to oversee Rowley's capital improvement program. This involves identifying and prioritizing projects, analyzing funding, and creating a long-term financial plan achievable within the Town's budget limitations.

#### A. Definition of a Capital Improvement

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

- Real property acquisitions, construction, and long-life capital equipment
- Major improvements to physical infrastructure, including streets, sidewalks, stormwater drains, and water distribution systems
- Major renovations of existing capital items that extend their useful lifespans, as distinguished from normal operating expenditures
- Planning, feasibility studies, and designs for potential capital projects
- Items obtained under a long-term capital lease
- Bulk purchases of similar items, like software or furniture, with expected useful lifespans of five or more years that, when aggregated, have total costs exceeding the capital threshold

#### B. Inventory

To support a systematic acquisition and replacement schedule, the Town Administrator, with the assistance of the Town Accountant, will annually update and maintain a detailed inventory of all capital assets, which shall include dates built, acquired or last improved, original costs, current



conditions, expected and remaining useful lifespans, depreciated values, extent of use, and any scheduled replacement or expansion dates.

### C. Evaluation of Capital Projects

As part of the annual budget process, the Town Administrator will solicit capital project requests from department heads and then evaluate and prioritize them using the criteria below:

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

### D. Multiyear Capital Improvement Plan

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

Throughout the year, the Town Accountant will monitor active capital projects to ensure they remain properly funded and will report any issues to the Town Administrator.

### E. Capital Financing

[As a reserve for the CIP, the Town will maintain a capital investment stabilization fund to provide the flexibility to pay outright for moderate-range capital expenditures while preserving debt capacity for major, higher-dollar purchases or projects. In accordance with the Town's Financial Reserves policy, the target maintenance level for this reserve shall be [two to four] percent of the Town's annual operating budget.]

Annually, the Town will strive to maintain [three to five] percent of the general fund operating budget, net of debt, on capital investment allocations. Funding shall be derived from a combination of property taxes and the general and capital improvement stabilization funds. Long-term debt is an appropriate funding source for certain types of projects, while short-term debt and current revenues should be used for assets with short useful lifespans.

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

- Special revenue sources (e.g., grants, revolving funds) shall be evaluated as funding options whenever practical.

- The annual operating costs of each proposed capital project, as well its debt service costs, shall be identified before any long-term, bonded capital project is recommended.
- Short-term debt may be used to fully finance purchases with useful lifespans of less than 10 years.
- Major capital projects, such as new construction or major renovations to existing facilities, may be accomplished through capital or debt exclusions.
- Infrastructure or facility maintenance budgets built into the general operating budget will not be reduced to fund other departmental budgets.
- To the extent feasible, all capital projects associated with the Town's two business-type operations (i.e., Water and Light) shall be financed from user fees.

#### F. Capital Project Closeouts

The Town will endeavor to close out all capital projects within six months of completion or discontinuation. When closing out any project with a residual balance, the Town Accountant will work with the Treasurer/Collector to do one of the following:

- If the project was funded by available revenue (tax levy or reserves), reallocate the balance to another capital project(s) or close it to the appropriate fund surplus.
- If the project was bond-funded and has a balance under \$50,000, propose that the Board of Selectmen apply the balance to debt service.
- If the project was bond-funded and has a balance over \$50,000, propose that the Board of Selectmen apply the balance to another capital project(s) for which the Town may borrow for an equal or greater term than the originally issued loan.

#### REFERENCES

[M.G.L. c. 44, § 20](#)

[M.G.L. c. 44, § 33B](#)

Rowley policies on Debt Management and Financial Reserves

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

DLS Financial Management Guidance: [Capital Improvement Planning Manual](#) and [Capital Improvement Planning Guide – Developing a Comprehensive Community Program](#)

#### EFFECTIVE DATE

This policy was adopted on [date].

## COMMUTING VEHICLE BENEFIT

### PURPOSE

To mitigate the potential risk of any Internal Revenue Service (IRS) penalties for underreporting fringe benefit income, this policy sets guidelines for ensuring the Town properly reports the commuter benefit received by certain employees. An employee's personal use of a Town-owned vehicle is a fringe benefit that the IRS treats as taxable income. Commuting to work in a municipal vehicle is considered personal use, which must therefore be reported to the IRS.

### APPLICABILITY

This policy applies to the following four officeholders (referred to here as "commuting employees"), who have each been assigned a municipal vehicle on a take-home basis: Light General Manager, Light Superintendent of Distribution, Water Superintendent, and Coordinator of Health Services. It also applies to the oversight responsibilities of the Light Commission, Water Commission, and Board of Health, as well as to the Treasurer/Collector's income reporting duties.

This policy does not apply to the Police Chief, Fire Chief, and Highway Surveyor, each of whom has been assigned a take-home vehicle with design or equipment features that qualify it under IRS regulations as a "non-personal-use vehicle."

The "Commuting Rule" is the simplest and least costly method the IRS allows for calculating the vehicle fringe benefit. However, it cannot be applied to any individual considered to be a "control employee," defined as either an appointed employee whose annual compensation is equal to or exceeds [Federal Government Executive Level V](#) (\$158,800 for 2018) or an elected official. In the event that the Town assigns a take-home vehicle to a control employee, this policy must be revised and an alternative method used to calculate the benefit for that person.

### POLICY

#### A. Appropriate Vehicle Use

The vehicle assigned to each commuting employee shall only be used to transport that person between his or her home and a Town property or other site where Town business is being conducted. No commuting employee shall use a Town-owned vehicle for any other personal purpose beyond commuting except for *de minimis* (minimal) purposes allowed by the IRS, such as stopping for a personal errand on the way between his or her home and work location.

#### B. Documenting Vehicle Usage

Each commuting employee is responsible for maintaining a week-to-week log of vehicle usage. At the time of the last payroll period for the calendar (not fiscal) year, the commuting employee will complete a summary report of the vehicle usage (i.e., Annual Report of Commuting Vehicle Benefit), sign it, and submit it for the majority signatures of his or her board or commission. This report requires the submitter to multiply each one-way trip by \$1.50 and provide the resulting total benefit amount.

The employee will submit the duly signed vehicle usage report to the Treasurer/Collector along with his or her time sheet for the calendar year's final payroll period.

C. Income Reporting

The Treasurer/Collector will review each annual vehicle usage report and verify the commuting employee's computation of the total benefit amount. As part of processing the calendar year's last payroll period, the Treasurer/Collector will enter the total vehicle benefit for each employee into his or her account in the Harpers Payroll database using unique earnings and deduction codes provided by Harpers. Under the Harpers contract, the vendor will report the benefit amount on each commuting employee's Form W-2 in Box 14 with the code, COMM.

D. Audit

All activities related to the commuting fringe benefit are subject to audit by the Town Accountant, the independent auditor, and the IRS.

**REFERENCES**

IRS webpage, [About Publication 15-B, Employer's Tax Guide to Fringe Benefits](#)

Rowley form, Annual Report of Taxable Commuting Vehicle Benefit (see Appendix)

**EFFECTIVE DATE**

This policy was adopted on [date].

## DEBT MANAGEMENT

### PURPOSE

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

### APPLICABILITY

This policy applies to the budget decision-making duties of the Board of Selectmen, Town Administrator, Finance Committee, and Water Commission. Further, it applies to the Treasurer/Collector's debt management responsibilities and Town Accountant's budget analysis and reporting duties.

### POLICY

Under the requirements of federal and state laws, the Town may periodically issue debt obligations to finance the construction, reconstruction, or acquisition of infrastructure and other assets or to refinance existing debt. The Town will issue and manage debt obligations in such a manner as to obtain the best long-term financial advantage and will limit the amount of debt to minimize the impact on taxpayers. Debt obligations, which include general obligation bonds, revenue bonds, bond anticipation notes, lease/purchase agreements, and any other debt obligations permitted to be issued under Massachusetts law, will only be issued to construct, reconstruct, or purchase capital assets that cannot be acquired with current revenues.

#### A. Debt Financing

In financing with debt, the Town will:

1. Issue long-term debt only for purposes that are authorized by state law and qualify for tax-exempt bonds and only when the financing sources have been clearly identified.
2. Use available funds to the greatest extent possible to reduce the amount of borrowing on all debt-financed projects.
3. Confine long-term borrowing to capital improvements and projects that cost at least [\$100,000] and that have at least [10] years of useful life or whose useful lifespans will be prolonged by at least 10 years.
4. Refrain from using debt to fund any recurring purpose, such as current operating and maintenance expenditures.
5. Consider using revenue bonds, special assessment bonds, or other types of self-supporting bonds instead of general obligation bonds whenever possible.
6. Set user fees to cover capital costs for the water enterprise operation to the extent practicable.

#### B. Debt Limits

The Town will adhere to these debt parameters:

1. Total debt service, including debt exclusions and any self-supporting debt, shall be limited to [10] percent of general fund revenues, with a target balance of [five to seven] percent.
2. As dictated by state statute, the Town's debt limit shall be five percent of its most recent equalized valuation.

#### C. Structure and Term of Debt

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

1. The Town will attempt to maintain a long-term debt schedule such that at least [50] percent of outstanding principal will be paid within 10 years.
2. The term of any debt shall not exceed the expected useful life of the capital asset being financed and in no case shall it exceed the maximum allowed by law.
3. The Town will limit bond maturities to no more than [10] years, except for major buildings, land acquisitions, and other purposes in accordance with the useful life borrowing limit guidelines published by the Division of Local Services (DLS).
4. Any vote to authorize borrowing will include authorization to reduce the amount of the borrowing by the amount of the net premium and accrued interest.
5. The Town will work closely with its financial advisor to follow federal regulations and set time frames for spending borrowed funds to avoid committing arbitrage, paying rebates, fines and penalties to the federal government, and jeopardizing any debt issuance's tax-exempt status.

#### D. Bond Refunding

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

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

#### E. Protection of Bond Rating

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

1. Maintain good communications with bond rating agencies, bond counsel, banks, financial advisors, and others involved in debt issuance and management.
2. Follow a policy of full disclosure on every financial report and bond prospectus, including data on total outstanding debt per capita, as a percentage of per capita personal income, and as a percentage of total assessed property value.

#### F. Reporting

1. The Treasurer/Collector will report to the Board of Selectmen and Town Administrator on the Town's debt status at least annually.

2. The Town Accountant will include an indebtedness summary as part of a report on receipts and expenditures in Rowley's Annual Town Report.
3. The Town Accountant, with the Town's financial advisor, will file the annual audit and official disclosure statement within 270 days of the end of the fiscal year.

**REFERENCES**[M.G.L. c. 41, § 59](#)[M.G.L. c. 41, § 61](#)[M.G.L. c. 44, § 4](#)[M.G.L. c. 44, § 6](#)[M.G.L. c. 44, § 6A](#)[M.G.L. c. 44, § 7](#)[M.G.L. c. 44, § 8](#)[M.G.L. c. 44, § 17](#)[M.G.L. c. 44, § 19](#)[M.G.L. c. 44, § 20](#)[M.G.L. c. 44, § 21A](#)[26 USC § 148](#)

Rowley Capital Planning policy

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

DLS Borrowing Guidelines: [Asset Useful Life - Borrowing Limits](#)

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

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

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

**EFFECTIVE DATE**

This policy was adopted on [date].

## DISBURSEMENTS

### PURPOSE

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

### APPLICABILITY

This policy applies to the Town Accountant's and Treasurer/Collector's job duties and to the Board of Selectmen's warrant approval responsibilities. It further applies to all department heads and elected or appointed officials who submit requests for expense and payroll disbursements (all referred to here as "department heads"). Note that any elected or appointed board serving as a department head may vote to delegate the authority for approving payroll and expense submissions to one of its members, but no board can assign this responsibility to a non-board member.

### POLICY

No disbursement for any payroll or accounts payable (AP) expense shall occur without the prior review and approval of the Town Accountant and Board of Selectmen. Accordingly, the Town Accountant is responsible for finalizing every AP and payroll warrant and the Board of Selectmen for approving each by majority signatures. All payroll expenditures must be based on approved time and attendance records and consistent with collective bargaining agreements or personal service contracts. All vendor payments must be based on original invoices and issued only to entities with valid form W-9s on file.

Printed on the face of every disbursed check will be: "Void if not cashed within one year of issuance." The Treasurer/Collector will secure all checks in a safe until distributed. As a tax-exempt organization, the Town will not pay sales tax on any expense, including those associated with any employee personal reimbursements.

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

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

The Town Accountant is responsible for maintaining and updating weekly an Excel database of employee leave time accumulations and usage. Any change the Town Accountant makes to any employee's rate of accumulation must be supported by one of the following documents: collective bargaining agreement, classification schedule, or personal services contract. Deductions to leave time will be based on data reported on weekly time sheets.

#### B. Weekly Responsibilities Related to Disbursement Processing

Each **department head** is responsible for:

- Assuring that all purchases of goods and services conform to the state's procurement laws



- Verifying that adequate funds exist in the department's budget for every AP and payroll submission, attesting to the accuracy of each submission via signature, and timely submitting the disbursement requests to the Town Accountant
- Distributing paychecks to employees upon receipt from the Treasurer/Collector

The **Town Accountant** is responsible for:

- Including each requested expense on the AP/payroll warrant only after validating:
  - Procurement laws were adhered to.
  - The submission is legal.
  - No fraud is evident.
  - Adequate funds exist.
- Preparing the AP and payroll warrants and submitting them to the Selectmen for approval
- Ensuring the payroll warrant balances with the Treasurer/Collector's payroll preprocess report before providing it to the Board of Selectmen and subsequently notifying the Treasurer/Collector to transmit the final report to Harpers Payroll Services
- Updating the general ledger with all AP and payroll warrant expenditures
- Receiving blank checks from the Treasurer/Collector, imprinting them with the disbursement data using the office printer, and returning them to the Treasurer/Collector

The **Treasurer/Collector** (and/or any delegated staff) is responsible for:

- Entering payroll data in the Harpers database based on time sheets received from the Town Accountant and transmitting the finalized electronic file to Harpers Payroll Services when notified to do so by the Town Accountant
- Reviewing the AP warrant and withholding from disbursement any amounts owed to the town by listed payees
- Upon receipt of payroll and AP warrants signed by the Selectmen, funding the associated bank accounts in the gross amount of each warrant
- Providing the Town Accountant with the appropriate number of sequential blank checks for printing
- Mailing out all AP checks to the vendors. The Treasurer/Collector will not give any vendor checks to department heads or other employees to mail.
- Notifying department heads to pick up paychecks upon receiving them from Harpers
- Updating the cashbook to document the disbursement activity

The **Board of Selectmen** members are responsible for:

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

#### C. Emergency Disbursements

If there is an emergency or extenuating circumstance where payment must be made to a vendor outside of the normal warrant process, the Treasurer/Collector may issue a manual check with written authorizations by the Town Administrator and Town Accountant. In any such case, the

department head will submit the expense to be processed as a no-check on the next accounts payable warrant.

D. Petty Cash

To mitigate the risks of illegal expenditures, procurement law violations, or instances of expenses exceeding appropriations, no petty cash accounts are authorized.

E. Prior Fiscal Year Bills

To maintain the integrity of the annual budget, departments will charge all invoices to the proper fiscal year. In the event a department has an invoice for a prior fiscal year, it shall be submitted at a town meeting to authorize the payment and funding source. The appropriation can only be approved with a four-fifths vote of annual town meeting or a nine-tenths vote of a special town meeting.

F. Audit

All disbursement activity is subject to audit by Rowley's independent auditor.

**REFERENCES**

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

[M.G.L. c. 44, §§ 56, 58, 64](#)

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

Rowley's collective bargaining agreements, classification tables, and personal service contracts

**EFFECTIVE DATE**

This policy was adopted on [date].

## **EMPLOYEE REIMBURSEMENT**

### **PURPOSE**

To mitigate opportunities for fraud, waste and abuse, the Town must properly monitor and control reimbursements to employees and officials. This policy establishes rules governing reimbursements for legitimate business-related expenses, including necessary travel expenses incurred in performing official duties. It also provides guidelines for determining reasonable travel-related and other expenses and details the procedures, forms and documentation necessary to receive reimbursement.

### **APPLICABILITY**

This policy applies to all elected and appointed officials and employees (all referred to here as “employees”).

### **POLICY**

The Town will reimburse employees for reasonable expenses incurred on the Town’s behalf as authorized by their department heads, boards, or committees.

Travel shall be restricted to necessary activities that provide a public benefit, such as training, professional conferences, and other municipal-related activities. All travel on Town business shall be planned for using the most economical mode and class of transportation reasonably available and the most direct and time-efficient route. Employees will travel using government and group rates when available. The Town will not reimburse or pay sales tax but will, however, pay meals and room excise taxes.

Business-related expenses, such as office supplies, should be procured through the Town’s vendors and billed directly to the Town as much as feasible. Whenever this is not possible, the purchase must be made with the department head’s approval.

When this policy is not followed, there is no guarantee that all expenditures will be reimbursed. Employees should determine estimates for their travel costs, discuss any extraordinary circumstances and expenses with their department heads, and obtain their authorizations in advance.

#### **A. Unauthorized Expenses**

The following expenditures will not be reimbursed:

- Alcoholic beverages and tobacco
- Massachusetts sales tax
- Costs associated with any political or charitable event
- Flowers or other gifts for employees or others
- Expenses incurred by or on behalf of any person who is not a Town employee who accompanies the employee on official business
- Expenses incurred for the sole benefit of the traveler, such as valet service, entertainment, laundry services, etc.
- Theft, loss, or damage to personal property while on Town business

- Non-mileage-related personal automobile expenses, including repairs, insurance, gasoline, and traffic citations

The Town Accountant may refuse to approve for payment any claim deemed to be fraudulent, unlawful, or excessive. In that instance, the Town Accountant will file a written statement of the reason for refusal with the Treasurer/Collector and forward copies to the Town Manager and the originating department head. Resolution of all disputes shall reside with the Town Manager.

#### B. Reimbursable Expense Categories

##### **Transportation**

- Employees authorized to travel using their personal vehicle will be reimbursed at the mileage reimbursement rate established yearly by the Internal Revenue Service (IRS) or, for union employees, the rate established in their particular contractual agreement.
- Mileage will be calculated starting from the employee's office location or residence to the destination point, whichever distance is shorter.
- Employees must present receipts to be reimbursed for parking, tolls, airfares, taxi fares, and, when using a Town-owned vehicle, fuel charges.

##### **Lodging**

- If travel requires an employee to be away from home for more than 24 hours, he or she will be reimbursed for reasonable charges for lodging expenses.
- Lodging expenses must not exceed the group rate published by the conference or activity sponsor. If the sponsor's group rate is not available when booking, the Town will reimburse for lodging costs comparable in location and quality and reserved at the lodging's government or group rate, whenever that is available.
- The Town will reimburse for only one night preceding any conference.

##### **Meals**

- If travel requires an employee to be away from home for more than 24 hours, he or she will be reimbursed for reasonable charges for meal expenses.
- Meal costs, including tips and taxes, incurred during the course of approved travel will be reimbursed only upon presentation of itemized receipts. If the receipt is for multiple employees, they should be listed on the back of the receipt.
- Meals included in registration costs cannot be claimed for reimbursement or advance.
- Under no circumstance will the total meals reimbursement exceed the Town's per diem rate of [\$40].

##### **Registrations**

- Whenever possible, registration fees for any conference, training, or workshop should be paid in advance through the Town's accounts payable warrant process. To pay advance registrations timely, the registration bill must be received in the Town Accountant no later than [two full weeks] prior to the registration deadline.
- If registration is not paid in advance, the employee must pay out-of-pocket and then submit for reimbursement.

**Business and Office Supplies**

- Employees must obtain department head approval prior to incurring expenses for any business or office supplies, and all purchases made on behalf of the Town must be necessary, reasonable, and appropriate.
- Business-related special postal services or delivery services that are not available through the Town will be reimbursed.

**C. Reimbursement Submission**

Every claim for reimbursement must be documented using an [Expense Reimbursement Form] signed by the employee and the authorizing department head. Required information on the form includes: the travel or purchase date(s), purpose, amount(s), and total business-related mileage (as applicable). Except for mileage, the employee must attach to the form a receipt or other valid proof of payment for each reimbursement claim.

Employees should submit for reimbursement as soon as the travel has concluded or the expense has been paid, but at maximum, no later than 30 days after the expenses being incurred. If an employee does not submit the [Expense Reimbursement Form] and accompanying receipts or other necessary documentation within that time, he or she may be personally responsible for the expenses.

**D. Violations**

Employees who violate this policy will be held directly responsible for their actions. Consequences may include revocation of travel privileges, reparatory payments, suspension, or termination. Improper documentation of otherwise valid travel expenditures creates the appearance of fraud, waste, or abuse and may result in similar consequences. Moreover, misrepresenting expenses and intentionally submitting false claims are fraudulent and could result in criminal penalties.

**E. Audit**

All expenses are subject to verification that they comply with this policy and to audit by the Town's independent auditor.

**REFERENCES**

[M.G.L. c. 41, §52](#)

[M.G.L. c. 44, §58](#)

[M.G.L. c. 268A, § 3](#)

IRS webpage, [Standard Mileage Rates](#)

**EFFECTIVE DATE**

This policy was adopted on [date].

## FINANCIAL MANAGEMENT TEAM

### PURPOSE

To maximize the effectiveness of financial practices by optimizing the coordination of interdepartmental activities and long-range plans, this policy establishes a financial management team that will meet regularly to discuss common goals and objectives.

Team meetings help the Town's finance officers to maintain open lines of communication and reinforce awareness of their interdependence. In this forum, team members can identify critical junctures, consider strategies to deal with anticipated areas of concern, and establish agreement about goals, deadlines, and each individual's role in meeting common objectives. A formal financial management team approach also fosters institutional continuity during times of turnover in financial offices.

### APPLICABILITY

This policy applies to the Town Administrator, Town Accountant, Treasurer/Collector, and Principal Assessor.

### POLICY

The Town establishes a financial management team consisting of the Town Administrator, Town Accountant, Treasurer/Collector, and Principal Assessor. Meetings of the team will be scheduled at a consistent time each month and more frequently when necessary. Agenda topics will include:

- Updating the status of assigned responsibilities and due dates related to cyclical procedures
- Reviewing budget preparation, including financial forecasting and capital funding analysis
- Monitoring monthly revenue and expenditure reports and analyzing cash flow
- Developing corrective action plans for citations in the external auditor's management letters
- Reviewing the effectiveness of internal controls and proposing internal audits
- Coordinating submissions to the Division of Local Services
- Assessing special projects assigned by the Board of Selectmen or others
- Pursuing professional development and training opportunities
- Assessing special projects assigned by the Board of Selectmen or others

### REFERENCES

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

### EFFECTIVE DATE

This policy was adopted on [date].

## FINANCIAL RESERVES

### PURPOSE

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

### APPLICABILITY

This policy pertains to the short- and long-range budget decision-making duties of the Board of Selectmen, Town Administrator, Finance Committee and Water Commission. It also applies to the related job duties of the Town Accountant and Board of Assessors.

### POLICY

The Town is committed to building and maintaining its reserves so as to have budgetary flexibility for unexpected events and significant disruptions in revenue-expenditure patterns and to provide a source of available funds for future capital expenditures. The Town will strive to maintain overall general fund reserves in the level of [10 to 14] percent of the annual operating budget. Adherence to this policy will help the Town withstand periods of decreased revenues and control spending during periods of increased revenues. There are multiple types of reserves, including free cash, stabilization funds, retained earnings, and overlay surplus.

#### A. Free Cash

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

To generate free cash, the Town Administrator will propose budgets with conservative revenue projections, and department heads will carefully manage their appropriations to produce excess income and budget turn backs. As much as practicable, the Town will limit its use of free cash to funding one-time expenditures (such as capital projects, snow and ice deficits, or emergencies).

The Town shall set a goal of maintaining its year-end unappropriated free cash balance in the range of [three to five] percent of the annual general fund budget. The Town will appropriate the excess above this target range to build reserves or to offset unfunded liabilities.

#### B. Stabilization Funds

A stabilization fund is a reserve account allowed by state law to set aside monies to be available for future spending purposes, including emergencies or capital expenditures, although it may be appropriated for any lawful purpose. As detailed below, the Town has established [two] stabilization funds, each of which is accounted for and reported as a trust fund, regardless of authorized use.

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

**Capital Investment Stabilization:** The Town will annually appropriate [one] percent of general fund operating revenues to this fund until it minimally achieves a balance equal to the total amount of asset depreciation that the Town Accountant calculates yearly per the Government Accounting Standards Board's Statement 34. Subsequently, the ongoing fund balance target shall be [two to four] percent of the general fund operating budget. By sustaining funding in this reserve, the Town can balance debt with pay-as-you-go practices and protect against unforeseen costs.

#### C. Retained Earnings

The Water Department's finances are managed under an enterprise fund, separately from the general fund, which allows the Town to effectively identify the utility's true delivery costs—direct, indirect, and capital—and set user fees at a level sufficient to recover them. Under this accounting, the Town may reserve the water operation's generated surplus (referred to as retained earnings) rather than closing the amount to the general fund at year-end.

For the water enterprise fund, the Town will maintain a minimum reserve amount of [20] percent of the operation's total budget, but the reserve target may be significantly higher if major infrastructure improvements are necessary. The reserve will be used to provide rate stabilization and to fund major capital projects. To maintain the target reserve level for the enterprise fund requires the Board of Water Commissioners to periodically review, and when necessary, adjust user rates.

#### D. Overlay Surplus

The purpose of the overlay reserve is to offset unrealized revenue resulting from uncollected property taxes, abatements, and exemptions. Each year as part of the budget process, the Board of Assessors will vote to authorize a contribution to the overlay account, which the Town will raise on the annual tax recapitulation sheet. The amount to be added to the overlay account shall be based on the following:

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

At the conclusion of each fiscal year, the Board of Assessors will submit to the Town Administrator and Town Accountant an update of the overlay reserve with data that includes, but is not limited to, the gross balance, potential abatement liabilities, and any transfers to surplus. If the balance



exceeds the amount of potential liabilities, the Board of Selectmen may request that the Board of Assessors vote to declare those balances surplus and available for use in the Town's capital improvement plan or for any other one-time expense.

**REFERENCES**[M.G.L. c. 40 §5B](#)[M.G.L. c. 59 §25](#)[M.G.L. c. 44 §53F½](#)

Rowley Capital Planning policy

DLS Best Practices: [Free Cash](#) and [Special Purpose Stabilization Funds](#)

DLS Informational Guideline Releases 08-101: [Enterprise Funds](#), 17-20: [Stabilization Funds](#) and 17-23: [Overlay and Overlay Surplus](#)

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

**EFFECTIVE DATE**

This policy was adopted on [date].

## FORECASTING

### PURPOSE

To assess the range of choices available to budget decision makers when determining how to allocate resources, this policy establishes guidelines for evaluating revenue sources and the requirement to determine an expenditure strategy as part of the annual budget process and longer range fiscal planning. Forecasting helps local officials understand the long-range implications of pending near-term decisions.

### APPLICABILITY

This policy applies to the Board of Selectmen, Town Administrator, and Finance Committee in their budget analysis and decision-making responsibilities. It also applies to the job duties of the Town Accountant and to the managers of all revenue-generating departments, including the Water Department.

### POLICY

#### A. Revenue Guidelines

The Town will continuously seek to diversify its revenue to improve the equity and stability of sources. Each year and whenever appropriate, the Town will reexamine existing revenues and explore potential new sources. A balance will be sought between elastic and inelastic revenues to minimize any adverse effects caused by inflation or other economic changes. Additionally, intergovernmental revenues (e.g., local aid, grants) will be reviewed annually to determine their short- and long-term stability in order to minimize detrimental impacts.

The Town will avoid using one-time revenues to fund ongoing or recurring operating expenditures. These one-time revenue sources can include, but are not limited to, free cash, overlay surplus, sale of municipal assets, legal settlements, insurance proceeds, and gifts. Additionally, the Town hereby establishes the following priority order when appropriating one-time revenues:

- [Snow and ice deficit]
- [General stabilization fund]
- [Capital investment stabilization fund]
- [Cash capital budget]
- [OPEB Trust Fund]
- [Other]

Economic downturns or unanticipated fiscal stresses may compel reasonable exceptions to the use of one-time revenue. In such cases, the Town Administrator, in consultation with the Town Accountant, can recommend to the Board of Selectmen its use for operational appropriations. Such use will trigger the Town Administrator to develop an action plan with the Town Accountant to avoid continued reliance on one-time revenues.

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

- Sale of real estate: [M.G.L. c. 44, § 63](#) and [M.G.L. c. 44, § 63A](#)

- Gifts and grants: [M.G.L. c. 44, § 53A](#) and [M.G.L. c. 44, § 53A½](#)

This policy further entails the following expectations regarding revenues:

- The Assessing Department will maintain property assessments for the purpose of taxation at full and fair cash value as prescribed by state law.
- Town departments that charge fees will annually review their fee schedules and propose adjustments when needed to ensure coverage of service costs.
- The Building Inspector will notify the Town Administrator of any moderate-to-large developments that could impact building permit volume.
- Department heads will seek out all available grants and other aid and will carefully consider any related restrictive covenants or matching requirements (both dollar and level-of-effort) to determine the cost-benefit of pursuing them.
- Revenue estimates will be adjusted throughout the budget cycle as more information becomes available.
- To the extent feasible, the Board of Water Commissioners will set rates sufficient to cover all fiscal year operating and capital improvement costs so as to minimize any general fund subsidies.

#### B. Expenditure Guidelines

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

Under any chosen approach, expenditure projections will include potential cost-of-living adjustments to account for the impact of future contract settlements and compensation plan increases.

#### C. Financial Forecast Guidelines

To determine the Town's operating capacity for each forthcoming fiscal year, the Town Administrator, with the Town Accountant's assistance, will annually create a detailed budget forecast, including a five-year projection of revenues and expenditures for all operating funds. These forecasts will be used as planning tools in developing the following year's operating budget and the five-year capital improvement plan. The Town Administrator will provide the forecasts to the Finance Committee and Board of Selectmen for use in their budget decision making.

To ensure the Town's revenues are balanced and capable of supporting desired levels of services, forecasts for property taxes, local receipts, and state aid will be conservatively based on historical trend analyses and will use generally accepted forecasting techniques and appropriate data. To avoid potential revenue deficits, estimates for local receipts (e.g., inspection fees, investment income, license fees) should generally not exceed [90] percent of the prior year's actual collections without firm evidence that higher revenues are achievable.

Additionally, the Town's forecast model should assume that:

- The Town's current level of services will provide the baseline for projections.
- Property taxes (absent overrides) will grow at the limits of Proposition 2½.
- New growth will be projected conservatively, taking into account the Town's three- to five-year average by property class.
- Local receipts and state aid will reflect economic cycles.
- Historical trends in the growth of specific operating expenses and employee benefits will prevail.
- Debt service on existing debt will be paid, and the Town's Capital Planning and Debt Management policies will be followed.
- Annual pension contributions and appropriations to amortize other postemployment benefit liabilities will continue.
- Reserves will be built and maintained in compliance with the Town's Financial Reserves policy.
- The Water and Light Departments will reimburse the general fund for indirect costs.

**REFERENCES**

[M.G.L. c. 44, § 20](#)

[M.G.L. c. 44, § 53A](#)

[M.G.L. c. 44, § 53A½](#)

[M.G.L. c. 44, § 63](#)

[M.G.L. c. 44, § 63A](#)

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

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

DLS Informational Guideline Release 17-21: [Borrowing](#)

Government Finance Officers Association article: [Structuring the Revenue Forecasting Process](#)

**EFFECTIVE DATE**

This policy was adopted on [date].

## GRANTS MANAGEMENT

### PURPOSE

To ensure Rowley efficiently and appropriately manages its grant-funded programs, this policy sets a framework for evaluating grant opportunities, tracking grant activity, and processing grant revenues and expenditures. Effective grant management helps promote the pursuit of grants that are in the Town's best interest, assure timely reimbursements to optimize cash flow, and guard against year-end account deficits. As a legal contract, every grant agreement must be fulfilled in accordance with its prescribed terms and conditions, as well as all applicable federal, state, and local regulations. Failure in this regard exposes the Town to legal and financial liabilities and compromises future grant funding.

### APPLICABILITY

This town-wide policy applies to the grant project managers in each department applying for or receiving grant funding. It further applies to the grant-related responsibilities of the Board of Selectmen, Town Administrator, Town Accountant, and Treasurer/Collector.

### POLICY

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

No department shall expend grant funds until a fully executed grant agreement has been accepted and approved for expenditure by the Board of Selectmen. Further, no grant funds shall be used to supplant an existing expense for the purpose of diverting current funds to another use.

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

#### A. Grant Opportunity Assessment

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

#### Programmatic:

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

Financial:

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

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

**B. Grant Application and Award Acceptance**

Prior to filing any grant application greater than \$5,000, the project manager will submit a meeting agenda item requesting preapproval from the Board of Selectmen with a report summarizing the grant and how it complies with this policy. The Town Administrator will then make a determination as to whether any preapproved application should be submitted to the Town Counsel for a legal review. Following this, the project manager will submit the grant application to the grantor and forward a copy to the Town Accountant.

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

Upon receiving the new grant's documents, the Town Accountant will create new general ledger account to record the grant activity separately from regular expenses. When notified of any amendment or adjustment by the grantor, the project manager will immediately forward the information to the Town Accountant, who will make adjustment(s) to the grant's budget in the general ledger.

**C. Grant Financial Management**

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

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

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

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

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

#### D. Grant Closeout

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

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

Within 30 days of any grant closeout or the year-end closure, whichever is earlier, the Town Accountant will determine if the grant account has been overexpended and will either apply the expense to the operating budget or propose an appropriation from other available funds.

#### E. Audit

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

#### REFERENCES

[M.G.L. c. 40, § 5D](#)

[M.G.L. c. 41, § 57](#)

[M.G.L. c. 44, § 53A](#)

Rowley Disbursements policy

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

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

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

#### EFFECTIVE DATE

This policy was adopted on [date].

## INDIRECT COST ALLOCATION

### PURPOSE

To apportion all the indirect costs associated with the Town's two business-type operations in an equitable manner that reflects their true shared costs, this policy provides guidelines for calculating and allocating those costs.

Under authority established in [M.G.L. c. 44 §53F½](#) (for Water service) and [M.G.L. c. 164](#) (for Light service), these utilities are managed and accounted for separately from the general fund, and each has its own financial statements. Consolidating these programs' direct and indirect costs, debt service, and capital expenditures into segregated funds allows the Town to demonstrate to the public the true, total cost of providing these utilities.

### APPLICABILITY

This policy applies to the budgetary functions of the Town Accountant, Water Department Superintendent, and Light Department General Manager. Further, it encompasses the utility-related administrative functions of the Town Accountant, Treasurer/Collector, and Town Administrator Departments.

### POLICY

As part of the annual budget process, the Town Accountant will calculate the indirect costs to the general fund of the two utility operations and review the calculations with the Water Department Superintendent and Light Department General Manager. Based on the results, the Town Accountant will record transfers between the relevant funds by [June 15] each year. The Town Accountant will maintain written procedures detailing the costs and their calculation methodologies.

#### A. Cost Categories

The calculation of indirect costs will take into account each utility's personnel expenses budgeted in the general fund. Also accounted for will be certain administrative services performed on behalf of the utility departments by other departments, namely:

- Accounts payable, payroll, and general ledger services provided by the Accounting Department
- Turnover processing, banking, investment, tax title, benefits, and payroll services provided by the Treasurer/Collector Department
- Personnel administration services provided by the Town Administrator Department

For these expenses and those listed below, the Town Accountant will calculate indirect costs based on the most recent fiscal year's appropriations and using either the actual, proportional, estimated support, or transactional methodology, as each is outlined on the next page.

The following expenses will be included in the calculations for both the Water and Light Departments:

- Benefits for active and retired employees, including insurances, Medicare tax, unemployment, and workers' compensation



- Pensions
- Vehicle insurance
- Property insurance

The following expenses will be included in the calculations for the Water Department only:

- Independent audit services
- Actuarial services
- Legal services
- Information technology expenses
- Other costs that may be considered, agreed to, and documented

#### B. Explanation of Calculation Methodologies

1. **Actual cost**, as the term implies, involves the identification of specific costs attributable to the enterprise based on documented schedules or bills payable, including debt service and insurance premiums.
2. The **proportional** method is a straightforward calculation of each utility department's net-of-debt budget as percentage of the total combined net-of-debt budget of that utility and the general fund. The resulting percentage is then applied against the total budget (including employee benefits) of each town department that provides support to that given utility or against the total cost of the specific type of expenditure.
3. A department or official may be able to provide a reasonable **estimate of support** (i.e., an estimate of the average time spent to support a particular service). For example, the Town Accountant estimates she spends an average of two hours weekly, or 10 percent of her time, on Water-related activities (e.g., creating warrants, bookkeeping). This percentage is applied against the department's or official's salary and benefits, including health and life insurance, Medicare, retirement and any workers' compensation.

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

Any department's or official's expenses related to Water and Light activities are charged directly to the Water and Light budgets.

4. The **transaction-based** method is calculated based on the number of transactions attributed to a service as a percentage of the whole. An example would be the Water Department's total number of turnovers to the Treasurer/Collector as a percentage of the total number of town-wide turnovers received by the Treasurer/Collector's office. This percentage is applied against the Treasurer/Collector's total budget, including health and life insurance, Medicare, retirement, and any workers' compensation attributable to the department.

$$\frac{\text{Number of Water Department transactions}}{\text{Total budget plus benefits of the}} \times \text{Total budget plus benefits of the} = \text{Indirect Departmental}$$

Total number of non-Water-Dept  
transactions processed by the  
department

department  
processing the utility  
transactions

Salaries

C. Calculations by Cost Category [This section should be expanded when calculation methodologies are established for other categories.]

### 1. Health and Life Insurances

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

### 2. Medicare

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

### 3. Retirement

Indirect pension costs will be calculated using the proportional method. The Town's total annual contributory retirement assessment payable to the Essex Regional Retirement Board is multiplied by the respective proportion of actuarially determined retirement costs per each utility operation's biennially calculated valuation for the current fiscal year

### 4. Audit

External audit costs will be based on the proportional method. The Water Department shall pay \$1,650 annually towards the cost of the Town's annual independent audit. The Light Department conducts its own audit.

### 5. Administrative Services

The indirect costs for utility-department-related administrative services performed by the Accounting, Treasurer/Collector, and Town Administrator Departments will be calculated using the estimate of support method. It will be based on each department's annual estimate of the time required to perform the services for the particular utility department.

### REFERENCES

DLS Informational Guideline Release 08-101: [Enterprise Funds](#)

Government Finance Officers Association Best Practices: [Indirect Cost Allocation](#) and [Full Cost Accounting for Government Services](#)

### EFFECTIVE DATE

This policy was adopted on [date].

## INVESTMENTS

### PURPOSE

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

### APPLICABILITY

This policy applies to the Treasurer/Collector's duties to invest and manage Town funds. It pertains to short-term operating funds, including general funds, special revenue funds, bond proceeds, and capital project funds, to all accounts designated as long-term (e.g., trusts, stabilization funds, other postemployment benefits trust fund), and to others the Town may set aside for long-term use, including scholarship and perpetual care funds. It does not pertain to the Town's retirement fund, which is invested and managed by the Essex Regional Retirement System.

### POLICY

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

The Treasurer/Collector will ensure all investment activity complies with state statutes governing allowable investment instruments, diversification principles, and investment restrictions for all short- and long-term funds. The Treasurer/Collector will also comply with the principles outlined in the Investment Policy Statement published by the Massachusetts Collectors & Treasurers Association (MCTA), which is included in this manual's appendix.

#### A. Investment Objectives

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

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

- The Treasurer/Collector will manage all investments so as to achieve a fair market average rate of return, taking into account safety and liquidity constraints, as well as all legal requirements.
- For trusts and other long-term funds, the Treasurer/Collector will invest fund assets for the primary purpose of growth, not liquidity, and will follow the risk mitigation guidelines in section B below.

#### B. Risk Tolerance

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

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

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

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

### C. Ethics

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

### D. Relationship with Financial Institutions

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

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

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

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

### E. Reporting Requirements

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

- List of all the individual accounts and securities held at the end of the period
- List of short-term investment portfolios by security type and maturity to ensure compliance with the diversification and maturity guidelines
- Summary of income earned on monthly and year-to-date bases
- Disclosure of the fees associated with managing each fund
- Brief statement of general market and economic conditions and other factors that may affect the Town's cash position

- Statement on the degree of compliance with the tenets set forth in this policy
- Disclosure of all fees associated with investment fund management

**REFERENCES**

[M.G.L. c. 29, § 38A](#)

[M.G.L. c. 44, § 54](#)

[M.G.L. c. 44, § 55](#)

[M.G.L. c. 44, § 55A](#)

[M.G.L. c. 44, § 55B](#)

[M.G.L. c. 167, § 15A](#)

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

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

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

MCTA Investment Policy Statement (see Appendix)

**EFFECTIVE DATE**

This policy was adopted on [date].

## OTHER POSTEMPLOYMENT BENEFITS LIABILITY

### PURPOSE

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

### APPLICABILITY

This policy encompasses OPEB-related budget decisions, accounting, financial reporting, and investment. It applies to the Board of Selectmen and Finance Committee in their budget decision-making duties, and it also applies to the OPEB-related job duties of the Treasurer/Collector and Town Accountant.

### BACKGROUND

In addition to salaries, the Town compensates employees in a variety of other forms. Many earn benefits over their years of service that they will not receive until after retirement. A pension is one such earned benefit. Another is a set of retirement insurance plans for health, dental, and life. These are collectively referred to as other postemployment benefits, or OPEBs. OPEBs represent a significant liability for the Town that must be properly measured, reported, and planned for financially.

### POLICY

The Town is committed to funding the long-term cost of the benefits promised its employees. To do so, the Town will accumulate resources for future benefit payments in a disciplined, methodical manner during the active service life of employees. The Town will also periodically assess strategies to mitigate its OPEB liability. This involves evaluating the structure of offered benefits and their cost drivers while at the same time avoiding benefit reductions that would place undue burdens on employees or risk making the Town an uncompetitive employer.

#### A. Accounting for and Reporting the OPEB Liability

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

#### B. Trust Management and Investment

The Town has established an OPEB Trust Fund and designated as its trustee the [Treasurer/Collector OR: Essex Regional Retirement Board OR: Rowley Board of OPEB Trustees]. As fund custodian, the Treasurer/Collector will manage the OPEB Trust Fund in conformance with the Town's investment policy and the state's prudent investor laws.

On an annual basis, the Town will analyze its option to invest the OPEB trust with the [State Retiree Benefits Trust Fund](#).

### C. Mitigation

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

### D. OPEB Funding Strategies

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

Achieving full funding of the liability requires the Town to commit to funding its actuarially determined contribution (ADC) each year, which is calculated based on actuarial projections. Among strategies to consider for funding the ADC:

- Transfer unexpended funds from insurance line items to the OPEB Trust Fund.
- Appropriate amounts equal to the Town's Medicare Part D reimbursements.
- Determine and commit to appropriating an annual portion of free cash.
- Appropriate an annually increasing percentage of yearly revenues.
- Once the pension system is fully funded, on a subsequent annual basis, appropriate to the OPEB Trust Fund the amount equivalent to the former pension-funding payment or the ADC, whichever is less.

### REFERENCES

[M.G.L. c. 32B, § 20](#) and [20A](#)

[M.G.L. c. 44, § 54](#) and [55](#)

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

Rowley Investments policy

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

Government Finance Officers Association Best Practices: [Ensuring Other Postemployment Benefits \(OPEB\) Sustainability](#) and [Sustainable Funding Practices for Defined Benefit Pensions and Other Postemployment Benefits \(OPEB\)](#)

### EFFECTIVE DATE

This policy was adopted on [date].



## PROCUREMENT CONFLICT OF INTEREST

### PURPOSE

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

### APPLICABILITY

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

### POLICY

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

To comply with the state's [Uniform Procurement Act](#), any purchase for supplies or services ([with certain exceptions](#)) costing more than \$10,000 requires solicitation of three written quotes for contracts and those over \$50,000 require competitive sealed bids or proposals for contracts. No quote or bid process is required when procuring supplies or services from vendors that are under state contracts or involved in regional cooperative purchasing agreements.

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

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

The departmental purchasing employee must:

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

The Town Administrator must:

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

#### B. Conflict of Interest in Procurement

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

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

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

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

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

Department heads and other officials are required to ascertain and disclose to the Town Administrator any potential conflict of interest affecting procurement transactions before a contract is signed, a commitment made, or an order placed. The Town Administrator will then notify the Town Accountant, who will verify the availability of funds before any order is placed with a vendor.

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

1. Employees, officials, and others who regularly participate in contract activities on behalf of the Town must disclose relevant financial interests as required by state and federal laws and to annually review those statements in conjunction with this policy and other ethical standards.
2. Other persons involved in procurements must review this policy and other ethical standards and provide information in order to determine if there is a conflict of interest. Such persons shall include, but are not limited to, authors of specifications; paid and unpaid evaluators; and paid and unpaid consultants who assist in the procurement process.
3. If a possible conflict of interest is identified, it must be documented and reviewed with Town Counsel.

The departmental purchasing employee must:

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

The Town Administrator must:

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

#### C. Compliance Reviews

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

#### REFERENCES

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

[M.G.L. c. 41, § 57](#)

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

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

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

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

#### EFFECTIVE DATE

This policy was adopted on [date].

## RECONCILIATIONS

### PURPOSE

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

### APPLICABILITY

This policy applies to the Town Accountant, Treasurer/Collector, their designees (if any), and all departments that use special revenue funds or have accounts receivable responsibilities (e.g., Water, Police, etc.).

### POLICY

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

#### A. Cashbook Reconciliation

To ensure an accurate accounting of all revenue activity, the Treasurer/Collector will maintain a cashbook that reflects up-to-date and accurate information for all cash and assets. To do so, the Treasurer/Collector will make certain that all cash receipts, disbursements, transfers, and interest are recorded in the cashbook within [two business days] of each transaction and will reconcile cashbook accounts to their corresponding bank accounts within [five days] of receiving bank statements. These will include zero-balance vendor and payroll bank accounts, whose balances must equal the outstanding checks at the end of any month.

The Treasurer/Collector will identify all reconciling items, including deposits in transit, bounced and voided checks, and discrepancies between the cashbook and financial institutions, and will correct them when appropriate. The Treasurer/Collector will then forward the reconciled cashbook balances in an Excel report to the Town Accountant and, when needed, an additional Schedule of Receipts for any adjustments made.

#### B. Payroll Withholdings Reconciliation

Payroll withholdings include federal and state taxes, child support and other wage assignments for legal obligations, deferred compensation, optional insurances, association dues, and other employer-sponsored options, which are all itemized in separate general ledger accounts. Although payments for withholdings and deductions are automatically issued through Harpers Payroll Services via electronic funds transfer or check, the Treasurer/Collector must verify and reconcile all withholdings to the actual disbursements.

The Treasurer/Collector will report specific payroll deductions subject to vendor invoices, such as health insurance, to the Town Accountant for recording in the general ledger. To reduce the risk to the Town for liabilities in excess of deductions, the Treasurer/Collector will conduct monthly reconciliations of those deductions and identify any discrepancies prior to remitting invoices for payment. The Treasurer/Collector will make any necessary payroll changes or adjustments and provide the details of these activities to the Town Accountant.

#### C. Accounts Receivable Reconciliation

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

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

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

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

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

#### D. Special Revenue Reconciliation

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

#### E. General Ledger Reconciliation

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

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

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

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

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

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

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

#### F. Time frames and Documentation

Employees subject to this policy will complete reconciliations of their internal accounting records early each month so that subsequent reconciliations to the general ledger take place no later than [the 15<sup>th</sup>] of the month following the one being reconciled. At each quarter-ending month, the Town Accountant will extend the cash reconciliation process to individually reconcile every general

ledger account that directly corresponds to a specific bank account (e.g., stabilization funds, trust funds, guarantee bond deposits).

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

#### G. Audit

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

#### **REFERENCES**

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

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

Rowley Revenue Turnover policy

#### **EFFECTIVE DATE**

This policy was adopted on [date].

## REVENUE TURNOVER

### PURPOSE

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

### APPLICABILITY

This policy pertains to all cash, check, credit card, and other forms of payment received by all Town departments for taxes, excises, fees, charges, and intergovernmental receipts. It applies to the individuals within each department assigned responsibility for handling payments. It further applies to the Town Accountant's duty to keep the general ledger up to date.

### POLICY

The head of each department that receives payments is responsible for instituting and employing internal controls designed to ensure that all receipts are recorded accurately, kept secure from loss or theft, and turned over timely to the Treasurer/Collector. The Town Administrator will ensure that surety bonds are maintained for all individuals responsible for handling payments to indemnify the Town from potential lost revenue. Each department will turn over at least biweekly and sooner than that when receipts total [\$500] or more. At month-end, departmental staff will turn over all revenues no later than [11:00 am] on the last business day of the month. All cash management activity is subject to review by the Town Accountant and independent auditor.

#### A. Receiving Payments

Using prenumbered receipt books, assigned departmental staff must issue a receipt for every payment received, even when the payer attempts to refuse it. These departmental staff must also identify the forms of payment (check, cash or credit card) in their receipt books. As the exception, employees in the Treasurer/Collector's office receiving taxes and other collections from the public need only issue receipts for cash payments. Every staff person who receives any check will immediately endorse it "For Deposit Only" using a stamp or by handwriting. Every department receiving payments shall secure them in a locked cashbox or safe until completing a turnover to the Treasurer/Collector.

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

#### B. Turning Over Revenues

Departmental staff will fill out a Schedule of Departmental Payments form in Excel (i.e., the Form 9-10), print two copies, and obtain the department head's signature on them. Every listed receipt should tie back to a receipt book entry and to the receipt summary reports maintained by the department head. Departmental staff will deliver the turnover package in person. At no time will an employee leave a turnover in the Treasurer/Collector's office unattended.



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

When the Treasurer/Collector's office has accepted the turnover, the department employee will receive a Form 9-10 signed by a Treasurer/Collector staff member and will deliver this copy to the Town Accountant. The Town Accountant will refuse to accept any Form 9-10 that does not have a Treasurer/Collector staff member's signature.

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

#### C. Receiving Turnovers

When presented with the turnover, Treasurer/Collector staff will count the receipts in the presence of the employee doing the turnover. Any inaccuracies on the duplicate Form 9-10s will be corrected on them at that time and initialed by both parties. The Treasurer/Collector staff member will then sign the forms and give one of them back to the departmental employee.

Within 24 hours of receiving the turnover, Treasurer/Collector staff will post the receipt data in the CDS Treasury Receipts module. At the close of business each day, the Treasurer/Collector will review the CDS postings, turnover documents, and receipts, update the cashbook, and create a deposit package. No less than three times per week, the revenues will be deposited at the bank. Until the deposit is completed, Treasurer/Collector staff will ensure that all receipts are secured at all times, either in a cash drawer, or, if being held overnight, in a safe.

[Weekly], the Treasurer/Collector will submit a CDS Schedule of Receipts report to the Town Accountant. The Town Accountant will compare the Form 9-10s received from departments with the Schedule of Receipts reports received from the Treasurer/Collector and contact the Treasurer/Collector or appropriate departmental employee about any discrepancies. The Town Accountant will then post the receipt data to the general ledger.

#### D. Insufficient Funds

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

The Treasurer/Collector will notify the issuer in writing of the bounced check or rejected EFT. Payment of the original amount plus a [\$25.00] penalty is due in [10] days and must be in the form of cash, money order, or certified check.

It is the department head's (or designee's) responsibility to follow up on collecting the amounts owed. If the payment was for a license or permit, the department will suspend the license or permit until the original amount and penalty have been paid. If it was for a committed receipt (e.g., tax

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

E. Reconciliation

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

F. Audit

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

**REFERENCES**

[M.G.L. c. 41, § 35](#)

[M.G.L. c. 41, § 57](#)

[M.G.L. c. 44, § 69](#)

[M.G.L. c. 60, § 57A](#)

Rowley Reconciliations policy

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

**EFFECTIVE DATE**

This policy was adopted on [date].

## TAILINGS

### PURPOSE

To minimize the liability posed by uncashed checks and its negative impact on cash position certainty, this policy sets guidelines for the timely resolution of tailings.

A tailing refers to a disbursed but uncashed check, which represents a debit liability on the Town's books. It can arise from any treasury check issued to pay an employee or vendor, refund a municipal tax or charge, or pay any other municipal obligation. Tailings constitute unclaimed property under M.G.L. c. 200A. Having accepted M.G.L. c. 200A § 9A, the Town can expedite the tailing resolution process and prevent the eventual escheatment of the funds to the State Treasurer, as otherwise required. This policy sets forth the steps that must be taken to properly manage tailings under § 9A.

### APPLICABILITY

This policy applies to the Treasurer/Collector, Town Accountant, and all department heads.

### POLICY

In accordance with § 9A and the Town's Disbursements policy, every check issued by the Treasurer/Collector will have imprinted on its face: "Void if not cashed within one year of issuance." On a monthly basis, the Treasurer/Collector will identify all uncashed checks older than 30 days and attempt to resolve them using the procedures outlined below. Furthermore, at the start of each calendar year, the Treasurer/Collector and Town Accountant will work together to resolve accumulated tailings, either by prompting the actual pay out or through escheatment to the Town.

### PROCEDURES

#### A. Monthly Review

Once a month, as part of the bank reconciliation, the Treasurer/Collector will identify all the uncashed checks in the bank statements and enter them into an Excel spreadsheet log of outstanding checks. The Treasurer/Collector will then determine which checks in the cumulative log are outstanding 30 days or more after issuance. The Treasurer/Collector will email the department head associated with each such check to follow up with the employee or vendor payee. The department head will attempt to contact the payee by phone to determine why the check has not been cashed. For all checks still outstanding two weeks after notifying the departments, the Treasurer/Collector will send an uncashed check notice to each payee at his or her last known address.

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

#### B. Yearly Review

In the month of [January] each year, the Treasurer/Collector will review the accumulated inventory of stop-paid tailings and do the following:

1. List the unclaimed checks on the Town's website for a minimum of 60 days under the heading: "Notice of names of persons appearing to be owners of funds held by the Town and deemed abandoned." Along with payee names, this notice will detail the process to claim funds and set a deadline for making a claim not less than 60 days after the initial posting date of the notice on the website.
2. For all checks still unclaimed after the website deadline, publish a notice of the checks in the Newburyport Daily News. This notice will be in the same form as the website posting and state a new claim deadline not less than 60 days after the publication date.
3. After 60 days lapse from the newspaper publication, send a notice of all unclaimed funds under \$100 to the Town Accountant. For those \$100 or greater, publish a second notice in the Daily News with the same language as the previous except that it provides a deadline for claiming the funds at least one year after the new publication date.
4. Schedule a calendar prompt one year after the second publication date to review the checks and notify the Town Accountant of all those that are still unclaimed at that time.

#### C. Escheatment

Upon receipt of either notice from the Treasurer/Collector described in Section B above, the Town Accountant will escheat the listed funds. This involves reversing the abandoned property liability and recognizing the funds as revenue.

#### D. Check Claiming

At any point prior to escheatment, if a payee contacts the Treasurer/Collector to claim a check, the Treasurer/Collector will review the claim for validity and timeliness. If deemed appropriate, the Treasurer/Collector shall submit the claimed amount to the Town Accountant for inclusion on the next disbursement warrant.

#### E. Audit

All activity related to tailings is subject to audit by the Town Accountant and independent auditor.

#### **REFERENCES**

[M.G.L. c. 200A, § 9A](#)

Rowley policies on Disbursements and Reconciliations

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

#### **EFFECTIVE DATE**

This policy was adopted on [date].

## TAX ENFORCEMENT

### PURPOSE

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

### APPLICABILITY

This policy applies to the job duties of the Treasurer/Collector, including the responsibility for managing services contracted through the Town's tax title attorney. Tax enforcement applies to all Rowley real estate property owners whose taxes or water charges are not exempt.

### POLICY

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

#### A. Demands

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

#### B. Tax Taking

The Treasurer/Collector will begin the tax taking process within [60] days of the demand notice. State law allows the process to begin as soon as 15 days after the demand, but, in every case, the Treasurer/Collector must complete the takings within 3½ years from the end of the fiscal year for which the taxes were assessed to secure, or perfect, the tax liens. The Treasurer/Collector shall carefully document the taking process to preserve the Town's rights for future actions.

The Treasurer/Collector will send at least one enforcement letter to delinquent property owners as a courtesy to potentially avoid a tax taking advertisement. If this does not result in full remittance by [September 1] the Treasurer/Collector will publish a Notice of Tax Taking in a local newspaper and post the notice in two or more convenient, public places. The Town customarily publishes in the Newburyport Daily News. In addition, the Treasurer/Collector posts notices on bulletin boards at town hall, the library, and Skip's Country Store. From this point forward only cash, certified check, or cashier's check are acceptable forms of payment.

Within 60 days of the tax taking announcements, the Treasurer/Collector will prepare an Instrument of Taking form for each delinquent property and record it at the Registry of Deeds, the recording of which perfects the tax lien. After receiving the recorded Instruments back from the Registry, the Treasurer/Collector will notify the affected property owners of the liens by sending each of them a letter and a photocopy of the Instrument. The Treasurer/Collector will provide copies of the List of Recorded Takings to the Town Accountant and Town Administrator.

C. Subsequent Taxes

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

D. Interest, Fees, and License Revocation

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

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

E. Tax Title Payment Agreements

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

*The Treasurer/Collector will pursue and establish payment agreements for parcels in tax title to allow delinquent taxpayers to pay off their tax liens over time. The Treasurer/Collector will actively monitor compliance with all such agreements, which will have the following features in common:*

- *Signed agreement between the Treasurer/Collector and taxpayer*
- *Upfront payment of at least 25 percent of the full balance owed*
- *Specific amount to be paid each month*
- *Incorporation of payments for the current tax bill*
- *Agreement term not exceeding five years*
- *Statement that defaulting on the agreement will immediately trigger foreclosure action by the Town*

*For taxpayers who fully comply with their payment agreements, the Treasurer/Collector will waive [50 percent] of the interest accrued on their tax title accounts.*

F. Redemption or Foreclosure

The primary policy goal of the foreclosure process is to receive the outstanding amounts owed. At least once every year, the Treasurer/Collector will review all tax title properties that are older than

180 days and do not have payment agreements or bankruptcy recordings. From these, the Treasurer/Collector will identify all properties of significant value to process for potential foreclosure in Land Court. To do this, the Treasurer/Collector will thoroughly verify the properties' enforcement histories before referring them to the tax title attorney, beginning with those having the largest dollar value of taxes owed.

[As manager of the service contract, the Treasurer/Collector] will ensure the tax title attorney complies with the objectives laid out in this policy section. The Treasurer/Collector will work with the tax title attorney to prepare parcels in tax title status for foreclosure, beginning by providing each Instrument of Taking. The tax title attorney will research the tax title properties and also mail new collection enforcement letters to the taxpayers telling them of the importance of redeeming the property and warning of potential foreclosure action.

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

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

## REFERENCES

<a href="#">M.G.L. c. 60, § 6</a>	<a href="#">M.G.L. c. 60, § 16</a>	<a href="#">M.G.L. c. 60, § 50</a>	<a href="#">M.G.L. c. 60, § 53</a>
<a href="#">M.G.L. c. 60, § 54</a>	<a href="#">M.G.L. c. 40, § 57</a>	<a href="#">M.G.L. c. 60, § 61</a>	<a href="#">M.G.L. c. 60, § 62</a>
<a href="#">M.G.L. c. 60, § 62A</a>	<a href="#">M.G.L. c. 60, § 63</a>	<a href="#">M.G.L. c. 60, § 76</a>	<a href="#">M.G.L. c. 60, § 77</a>
<a href="#">M.G.L. c. 60, § 79</a>	<a href="#">M.G.L. c. 60, § 80</a>		

Rowley Bylaws, page 14: Denial, Revocation, Suspension of Licenses and/or Permits for Failure to Pay Municipal Charges

DLS Best Practice: [Enforcing Collections](#)

DLS Guidance: [Local Tax Collection FAQs](#)

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

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

## EFFECTIVE DATE

This policy was adopted on [date].

## TAX RECAPITULATION

### PURPOSE

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

### APPLICABILITY

This policy applies to the Board of Selectmen and Town Administrator in their policymaking and management responsibilities and to the Board of Assessors in its role as principal overseer of the tax recap process. It also applies to the related job duties of the Town Accountant, Principal Assessor, Treasurer/Collector, and Town Clerk.

### BACKGROUND

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

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

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

### POLICY

At the Town Administrator’s direction, Rowley’s financial team will annually complete the tax recap process no later than [November 30]. The Treasurer/Collector will print and mail the actual tax bills no later than December 31. The Town Administrator will develop a realistic plan and timetable to meet these deadlines and keep the Board of Selectmen apprised of progress.

#### A. Preparation and Town Meeting

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

- The Board of Selectmen, through the Town Administrator and Town Counsel, will assure the production of a properly written town meeting warrant that will allow town meeting voters, under the Town Moderator’s oversight, to properly authorize annual budget appropriations funded by specific revenue sources (e.g., raise and appropriate, free cash, stabilization).



- The Board of Selectmen will ensure that any annual increase in the tax levy does not exceed the maximum allowed under Proposition 2½.
- The Town Accountant, Town Administrator, and Board of Selectmen will verify that the proposed budget is balanced.
- The Town Accountant will prepare a schedule of funds available for appropriation by town meeting.
- The Treasurer/Collector and Town Counsel will ensure any debt issuance authorizations are proper.
- The Board of Selectmen will ensure that any proposal for a general override, debt exclusion, or capital exclusion is properly presented in the town meeting warrant and, if passed, put to a town-wide referendum.

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

#### B. Recording Legislative Actions

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

- The Town Clerk will certify all appropriations approved since the last tax rate was set.
- The Town Accountant will reconcile all votes and authorized amounts.
- The Town Clerk, with the Town Accountant's assistance, will enter all town meeting appropriation votes by article into the DLS Gateway system (page 4 of the tax recap).
- From the certified town meeting authorizations, the Town Accountant will complete the following Gateway forms:
  - enterprise estimated revenues and appropriations (Schedule A-2)
  - enterprise receipts and appropriations (Schedule A-2)
  - revolving funds (Form A-3)
  - community preservation fund estimated revenues and appropriations (Form A-4)
  - free cash used (Form B-1)
  - available funds used (Form B-2)
- When applicable, the Treasurer/Collector will prepare the debt exclusion report, including any use of reserved bond premiums (Form DE-1), and report any reserved bond premium amounts used as funding sources (Form B-2).
- In accordance with Rowley's Indirect Cost Allocation policy, the Town Accountant will include all of the Water and Light Departments' indirect costs appropriated in the general fund in part 2. b. of Schedule A-2.
- When applicable, the Town Accountant will include free cash voted to reduce the current tax rate on page 2 of the tax recap.

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

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

- Document and report all deficits or other expenditures that must be funded, including debt and snow and ice (page 2 of the tax recap)
- Record the actual amounts received for each type of local receipt (page 3, column (a) of the tax recap and column (a) section 1 on Schedule A-2)
- Enter estimated local receipts using the revenue projections from the final budget approved at town meeting (page 3, column (b) of the recap and column (b) section 1 on Schedule A-2 )
- Enter the actual community preservation fund revenues for the prior fiscal year (Form A-4)
- Enter the actual enterprise revenues for the prior fiscal year (Schedule A-2)

#### D. Property Value Certification

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

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

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

#### E. Tax Rate Setting

After DLS has certified property values, the Board of Selectmen will hold a public hearing to decide tax policy. At this classification hearing, the Board of Selectmen may vote for a single tax rate, which thereby allocates the tax levy proportionately across all property classes, or for a shift of the tax burden between the four classes. Leading to this hearing, the following must be done:

- The Principal Assessor and Town Accountant prepare an overlay analysis (Form OL-1).
- The Board of Assessors estimates and votes the amount of overlay to raise.
- The Board of Assessors prepares a financial analysis of the various tax alternatives.
- The Board of Selectmen votes on residential, small commercial, and open space exemptions.
- The Board of Selectmen acknowledges excess levy capacity (Form LA-5).
- The Town Clerk attests to notice having been given to taxpayers regarding the public hearing (Form LA-5).

#### F. Review and Submittal to DLS

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

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

G. Tax Commitment Creation

After DLS notifies the Town that the tax rate has been approved, the Principal Assessor will create a tax commitment list and warrant duly signed by the Assessing Board members and refer it to the Treasurer/Collector to generate the actual tax bills.

**REFERENCES**

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

Rowley policies on Forecasting, Indirect Cost Allocation, and Year-end Closing

**EFFECTIVE DATE**

This policy was adopted on [date].

## YEAR-END CLOSING

### PURPOSE

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

### APPLICABILITY

This town-wide policy applies to the responsibilities of all department heads in managing and reporting on their budgets and assets. It further applies to the related year-end compilation, reconciliation, and/or oversight duties of the Town Administrator, Town Accountant, and Treasurer/Collector. Additionally, it pertains to the budget transfer authority of the Board of Selectmen and Finance Committee.

### POLICY

The Town Administrator will hold every department head accountable for timely and accurately completing the year-end tasks applicable to each as outlined in this policy. Annually no later than May 15, the Town Administrator will email this policy to all department heads as a reminder of year-end expectations. The Town Administrator will subsequently oversee the coordination of the various year-end task components under the time frames and procedures outlined below. All facets of the year-end closing detailed here will be accomplished no later than October 31 each year.

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

By May 15, the Town Accountant will distribute management reports of all grant, special appropriation, and special revenue accounts to the responsible department heads to solicit status updates on them. Each such department head will notify the Town Accountant in writing of any completed project with an unexpended balance so that she may close its account to fund balance (or to a special revenue source, if appropriate). Alternatively, if any completed project's account is in deficit, the department head will notify the Town Accountant in writing, provide funding source(s), and state when it will be resolved so that she can plan for closing the account.

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

#### B. Year-end Encumbrances

By June 1, the Town Accountant will email all department heads advising them to submit all available invoices by June 30 and to provide notification of any pending obligations remaining from the fiscal year. With proper documentation, the Town Accountant will only encumber funds that have been committed to specific purchases (by purchase orders), services (by service agreements), projects (by contracts), or salary as of June 30.

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

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

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

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

### D. Year-end Transfers

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

### E. Closing the Books

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

- Conduct a reconciliation of each fund type in turn (including transfers between funds) and, when completed, close each fund in the general ledger.
- Zero out all open encumbrances from the prior fiscal year.
- Verify the new opening balances of all special revenue funds.
- Calculate the general fund's unreserved fund balance.

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

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

Town Accountant:

- |  |              |
|--|--------------|
| ▪ Snow and ice data sheet                        | September 15 |
| ▪ Community preservation surcharge report (CP-1) | September 15 |

(with the Principal Assessor)

- |   |              |
|---|--------------|
| ▪ Combined balance sheet and supporting documents | September 30 |
| ▪ Schedule A                                      | October 31   |
| ▪ Community preservation fund report (CP-2)       | October 31   |

Town Accountant and Treasurer/Collector:

- |  |              |
|--|--------------|
| ▪ Statement of indebtedness                  | September 30 |
| ▪ Treasurer/Collector's year-end cash report | September 30 |
| ▪ Cash reconciliation                        | September 30 |
| ▪ Schedule of outstanding receivables        | September 30 |

## REFERENCES

[M.G.L. c. 44, § 33B](#)

[M.G.L. c. 64, § 64](#)

[M.G.L. c. 59, § 5](#)

Rowley policies on Tax Enforcement, Grants Management, and Reconciliations

DLS Informational Guideline Release 17-13: [Appropriation Transfers](#)

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

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

## EFFECTIVE DATE

The policy was adopted on [date].

# **APPENDIX**





**POLICY LOG**

<b>Policy</b>	<b>Adopted</b>	<b>Last Reviewed</b>	<b>Amended</b>
Antifraud			
Capital Planning			
Commuting Vehicle Benefit			
Debt Management			
Disbursements			
Employee Reimbursement			
Financial Management Team			
Financial Reserves			
Forecasting			
Grants Management			
Indirect Cost Allocation			
Investments			
OPEB Liability			
Procurement Conflict of Interest			
Reconciliations			
Revenue Turnover			
Tailings			
Tax Enforcement			
Tax Recapitulation			
Year-end Closing			



**TOWN OF ROWLEY**  
**ANNUAL REPORT OF COMMUTING VEHICLE BENEFIT**

Reporting period, from \_\_\_\_\_ to \_\_\_\_\_

Each employee subject to Rowley's Commuting Vehicle Benefit policy must complete this report annually at calendar year-end. If the employee leaves town service before year-end, the report must be completed at that time. Its purpose is to provide an accurate, annual summary of the taxable fringe benefit value that the employee received by commuting to work in the vehicle (which is considered personal usage).

Completion of this report must be based on an individually tracked week-to-week log of vehicle usage, which the employee must maintain and make available upon request for audit purposes. If the Treasurer/Collector does not receive this Annual Benefit report along with the employee's time sheet for the final payroll period of the calendar year or for the last week of Town service, the Town will assess 100% of the potential vehicle benefit through the end of the year or service termination date, respectively.

Employee Representation

Name \_\_\_\_\_ Job Title \_\_\_\_\_

Make and model \_\_\_\_\_ Plate number \_\_\_\_\_

Was the vehicle assigned to you during off-duty hours? Yes \_\_\_\_ No \_\_\_\_

Did you use the vehicle for the personal purpose of commuting to work? Yes \_\_\_\_ No \_\_\_\_

Benefit Calculation

How many one-way commuting trips did you make in this vehicle this calendar year? \_\_\_\_\_

Multiply the total number of trips by \$1.50 and put the total here: \$ \_\_\_\_\_

Employee signature \_\_\_\_\_ Date \_\_\_\_\_

*Signed under the pains and penalties of perjury*

Board/Commission Member Signatures:

\_\_\_\_\_ Date \_\_\_\_\_

\_\_\_\_\_ Date \_\_\_\_\_

\_\_\_\_\_ Data \_\_\_\_\_



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## THE MASSACHUSETTS COLLECTORS & TREASURERS ASSOCIATION'S ANNUAL SCHOOL HANDOUTS, COURSE 202 (Modified for Rowley)

**Please note:** Since the MCTA distributed the below policy statement at its Annual School in August 2016, [M.G.L. c 44 § 55](#) was modified to allow investment in certificates of deposit for up to three years. This version of the statement has been updated accordingly.

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### TOWN OF ROWLEY, MA INVESTMENT POLICY STATEMENT

The primary purpose of this Investment Policy Statement (IPS) is to provide a clear understanding between the Town of Rowley and Bartholomew & Company, Inc. regarding the objectives, goals, risk tolerance, and investment guidelines established for the investment of town funds. The secondary purpose is to describe for the Office of the Treasurer/Collector, the public, and staff the underlying logic and philosophy supporting this Statement.

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

##### A. Scope

This section applies only to short-term operating funds, such as general funds, special revenue funds, enterprise funds, bond proceeds, and capital project funds. Section II deals with trust funds and any other funds with special circumstances, such as stabilization funds. The Essex Regional Retirement System is responsible for the investment of the Town's pension funds.

##### B. Investment Instruments

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

The Treasurer/Collector may invest in the following instruments:

- Massachusetts State pooled fund: Unlimited amounts (Pool is liquid). The Massachusetts Municipal Depository Trust (MMDT), an investment pool for state, local, county and other independent governmental authorities, is under the auspices of the State Treasurer. It invests in bankers acceptances, commercial paper of high quality, bank certificates of deposit, repurchase agreements (repos), and U. S. Treasury Obligations. It has Federal Deposit Insurance Corporation (F.D.I.C.) pass-through insurance on the CDs up to the standard limits and takes delivery on the repos and US Treasuries. Under the Government Accounting Standards Board's regulations, it is not considered an uncollateralized product.
- U. S. Treasuries that will be held to maturity: Unlimited amounts (Up to one year maturity from date of purchase)
- U.S. Agency obligations that will be held to maturity. Unlimited amounts (Up to one year maturity from date of purchase)
- Bank accounts or certificates of deposit (CDs) (Up to three years), which are fully collateralized through a third-party agreement: Unlimited Amounts.

- Bank accounts and CDs (Up to three years) insured by F.D.I.C. up to the coverage limit. All bank accounts and CDs in one institution are considered in the aggregate for the insurance coverage limit. In some cases, banking institutions carry additional insurance. Depository Insurance Fund (D.I.F.): Contact banking representative for amounts of coverage.
- Unsecured bank deposits of any kind, such as other checking, savings, money market, or CD accounts at banks that do not fit the above categories. These investments are subject to the following limitations: No more than 5% of an institution's assets and no more than 25% of a municipality's cash may be comprised of unsecured bank deposits. This percentage may be increased for not more than 30 days during times of heavy collection or in anticipation of large payments that will be made by the Town in the near future. These payments may be for such items as debt service payments or regional school assessments. Their creditworthiness will be tracked by Veribanc or other bank creditworthiness reporting systems. They will be diversified as much as possible. CDs will be purchased for no more than one year and will be reviewed frequently.
- Money market mutual funds registered with the Securities and Exchange Commission that have received the highest possible rating from at least one nationally recognized statistical rating organization and as otherwise referenced in the Massachusetts General Law Chapter 44 Section 55.

### C. Diversification

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

### D. Authorization

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

### E. Restrictions

Chapter 44, Section 55 sets forth several restrictions the Treasurer/Collector must be aware of when making investment selections.

- The Treasurer/Collector shall not at any one time have on deposit in a bank or trust company an amount exceeding 60% of the capital and surplus of such bank or trust company, or banking company, unless satisfactory security is given to it by such bank or trust company, or banking company for such excess.
- The Treasurer/Collector shall not make a deposit in any bank, trust company or banking company with which he or she is, or for any time during the three years immediately preceding the date of any such deposit was, associated as an officer or employee.
- All securities shall have a maturity from date of purchase of one year or less.
- Purchases under an agreement with a trust company, national bank or banking company to repurchase at not less than original purchase price of said securities on a fixed date shall not exceed 90 days.

## F. Legal References

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

## II. The Investment of Long-term Funds

### A. Scope

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

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

### B. Authority

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

### C. Investment Instruments

M.G.L. Chapter 44 section 54 states that money should be deposited into savings bank, trust companies incorporated under the laws of the Commonwealth, banking companies incorporated under the laws of the Commonwealth that are members of the Federal Deposit Insurance Corporation, or national banks, or invested in participation units in a combined investment fund under section 38A of chapter 29, or in a paid-up shares and accounts of and in cooperative banks, or in shares of savings and loan associations or in share or savings deposits of federal savings and loan associations doing business in the Commonwealth.

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

The Treasurer/Collector may invest in the following instruments:

- U. S. Treasuries that maybe sold prior to maturity: Unlimited amounts (With no limit to the length of maturity from date of purchase)
- U.S. Agency obligations that maybe sold prior to maturity. Unlimited amounts (With no limit to the length of maturity from date of purchase)
- Bank accounts or CDs: Unlimited amounts (With no limit to the length of maturity from date of purchase), which is fully collateralized through a third-party agreement:
- Bank accounts and CDs (With no limit to the length of maturity from date of purchase) fully insured by the F.D.I.C. and in some cases also by the Depository Insurance Fund of

Massachusetts (D.L.F.). All bank accounts and CDs in one institution are considered in the aggregate to receive the insurance coverage limit.

- Unsecured bank deposits of any kind, such as other checking, savings, money market, or CD accounts at banks that do not fit the above categories. These investments are subject to the following limitations: These investments will be limited to no more than 5% of an institution's assets and no more than 25% of the Town's cash. This percentage maybe increase for not more than 30 days during times of heavy collection or in anticipation of large payments that will be made by the Town in the near future. These payments maybe for such items as debt service payments or regional school assessments. Their creditworthiness will be tracked by Veribanc or other bank credit worthiness reporting systems. They will be diversified as much as possible. CDs will be purchased with no limit to the length of maturity from the date of purchase and will be reviewed frequently.
- Common and preferred stock that are listed in the List of Legal Investments.
- Investment funds that are listed in the List of Legal Investments.
- All other items not separately identified here that are listed in the List of Legal Investments.

#### D. Standards of Care

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

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

In addition, this section applies to M.G.L. Chapter 44 Section 55A, which refers to the liability of the Treasurer/Collector for losses due to bankruptcy.

#### E. Diversification

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

#### F. Legal References

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

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



### III. General Provisions

#### A. Objective

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

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

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

#### B. Risk Tolerance

##### ➤ Credit Risk

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

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

##### ➤ Custodial Risk

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

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

➤ Concentration of Credit Risk

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

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

➤ Interest Rate Risk

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

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

➤ Foreign Currency Risk

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

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

### C. Ethics

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

### D. Relationship with Financial Institutions

Financial institutions should be selected first and foremost with regard to their financial soundness and stability. The Town subscribes to the Veribanc Rating Service to evaluate the banking institutions with which it chooses to establish relationships. Brokers should be recognized, reputable dealers and members of the Financial Industry Regulatory Authority.

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

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

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

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

#### E. Reporting Requirements

On a quarterly basis, a report will be prepared by the Treasurer/Collector and distributed to the Board of Selectmen, Town Administrator, and Finance Committee. This report will include the following information at minimum:

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



## MUNICIPAL CALENDAR

### Abbreviations Defined

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

### July

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

### August

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

## September

1	Accountant	<b>Submit CPA Fund Balance Report (recommended date)</b> After closing the fiscal year and before the October 31 deadline, the Accountant submits this report (Form CP-2) in Gateway and notifies the Community Preservation Committee. CPA fund balances may be appropriated any time after this submittal until the close of the fiscal year.
15	Accountant	<b>Submit Snow &amp; Ice Data Sheet</b>
15	Assessors	<b>Submit Property Sales Report (recommended date)</b>
15	Accountant and Assessors	<b>Jointly Submit CPA Surcharge Report (CP-1)</b> This is the deadline to submit the CP-1 Form in Gateway in order to receive matching funds from the State Treasurer's distribution on November 15.
15	CPA Committee	<b>Submit CPA Projects Report (CP-3)</b> This is the deadline to enter new CPA projects and update existing ones in the MassGIS CPA projects database in order to receive matching funds from the State Treasurer's distribution on November 15.
30	Accountant and Treasurer/Collector	<b>Submit Balance Sheet and other Reports for Free Cash Certification</b> The Accountant and Treasurer/Collector coordinate to submit a balance sheet to BOA, along with: <ul style="list-style-type: none"> <li>▪ Statement of Indebtedness</li> <li>▪ Treasurer's Year-end Cash Report</li> <li>▪ Cash Reconciliation Form</li> <li>▪ Schedule of Outstanding Receivables</li> </ul>

## October

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

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**Valuations Reports to BLA (recommended date)**

- 31 Accountant **Deadline to Submit the CPA Fund Balance Report (Form CP-2)**  
[See September 1.]

## November

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

## December

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

## January

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

## February

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

## March

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

## April

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

## May

- |   |                         |   |
|---|-------------------------|---|
| 1 | Taxpayer                | <b>Deadline to pay 4<sup>th</sup> Quarter Tax Bill without Interest</b>   |
| 1 | Accountant or Treasurer | <b>Notification of Amount of Debt Due in Next Fiscal Year</b><br>As required by <a href="#">M.G.L. c. 44, § 16</a> , the Accountant or Treasurer/Collector must notify the Assessors of all debt due in the next fiscal year. |

## June

- |   |            |  |
|---|------------|--|
| 1 | Town Clerk | <b>Certify Appropriations</b><br>The Town Clerk should certify appropriations immediately after town meeting so that the Accountant can set up accounts for every department for the next fiscal year. |
| 1 | Town Clerk | <b>Update the Local Officials Directory (LOD) in Gateway</b><br>The Town Clerk annually updates the LOD with the names, position titles, and email addresses of local officials.                       |
| 1 | Assessors  | <b>Notification of State-owned Land Valuations (even years only)</b>   |



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

## Due Date Exceptions

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