

TOWN OF SOUTH HADLEY

FINANCIAL POLICY MANUAL

MAY 2020



DLS

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

PREPARED BY:

DLS | Technical Assistance Bureau

100 Cambridge Street, Boston, MA 02114

www.mass.gov/dls

Zack Blake, Bureau Chief

Melinda Ordway, Senior Project Manager



Geoffrey E. Snyder
Commissioner of Revenue

Sean R. Cronin
Senior Deputy Commissioner

May 12, 2020

Selectboard
Town of South Hadley
116 Main Street
South Hadley, MA 01075

Dear Board Members,

I am pleased to present the enclosed set of financial policies for the Town of South Hadley. 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.

Sincerely,

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

Sean R. Cronin
Senior Deputy Commissioner

INTRODUCTION

At the selectboard's request, the Division of Local Services Technical Assistance Bureau (TAB) created a financial policy manual for the Town of South Hadley. In requesting this project, the selectboard sought guidance in formalizing the town's existing financial practices and asked for recommendations to enhance already adopted financial policies and better govern operations. By laying out objectives, roles, and responsibilities, operational policies promote accountability, foster efficient coordination, and highlight the oversight and functional controls necessary to safeguard against deficiencies. The adoption of formal financial policies can also help a community ensure consistency during times of changeover in personnel. From a broader perspective, policies related to fiscal planning support stability and continuity by providing reasoned, consensus parameters to shape short- and long-term budget decisions. Together, they mitigate the risk of developing structural imbalances and other negative trends while also providing a framework for sustaining and enhancing services. The policy manual we created incorporates South Hadley's existing financial practices.

South Hadley's school (preK-12) and electric departments operate under specific regulatory statutes. The school committee must adopt its own policies that follow Department of Elementary and Secondary Education (DESE) and Massachusetts Association of School Business Officials (MASBO) guidance whereas the electric department, under the direction of the light board, establishes its own budget and rates. However, as Town departments, many of the policies within this manual are applicable as they relate to financial operations administered by the Town.

South Hadley also has two fire and water districts that operate separate from Town. The districts set their own annual tax rates based on the Assessors' valuation of properties located within their respective boundaries and expenditures approved at district meetings. While the taxes are committed by the Assessors, included on the Town's tax bills, and collected by the Treasurer/Collector on behalf of the districts, the districts should develop their own policies.

Please note that there are three policies that will require specific town meeting action before they can be adopted as presented here.

OPEB: In May 2014, South Hadley 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 M.G.L. c. 32B, § 20 to meet the new guidelines. Consequently, we advise the selectboard to present town meeting voters with articles that propose the following:

- Reaccept M.G.L. c. 32B, § 20 to establish a GASB-compliant OPEB trust fund.
- 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.
- Designate the treasurer/collector as fund trustee.

Tailings: The tailings policy includes expedited procedures for managing uncashed checks as allowed under [M.G.L. c. 200A, § 9A](#). Accordingly, it can only be adopted after town meeting's acceptance of this statute.

Tax Enforcement: To adopt the tax title payment agreement section of the tax enforcement policy, town meeting must approve a related bylaw, per [M.G.L. c. 60, § 62A](#). The following text may serve as a template:

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

- Section X (a) 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").
- Section X (b) 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*].
- Section X (c) At the start of the agreement, the redeemer shall pay 25 percent of the total amount due.
- Section X (d) The agreement's maximum term shall be five years.
- Section X (e) 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.

SOUTH HADLEY MASSACHUSETTS

FINANCIAL POLICIES MANUAL



PREFACE

The Town of South Hadley 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 South Hadley, through its Selectboard, Town Administrator, Appropriations Committee, Capital Planning Committee, Board of Assessors, 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
- Promoting the maintenance and improvement of physical infrastructure and capital equipment
- Conforming to general law, uniform professional standards, and municipal best practices
- Protecting and enhancing the town's bond rating
- Promoting transparency and public disclosure
- Assuring accurate and timely reporting

TABLE OF CONTENTS

ANNUAL BUDGET CYCLE.....	1
ANTIFRAUD.....	5
CAPITAL PLANNING	9
CREDIT CARD USAGE.....	13
DEBT MANAGEMENT	16
DISBURSEMENTS	19
EMPLOYEE REIMBURSEMENT	22
FINANCIAL RESERVES	25
FORECASTING	28
GRANTS MANAGEMENT	31
INDIRECT COST ALLOCATION.....	35
INVESTMENTS	40
ONE-TIME REVENUES	46
OTHER POSTEMPLOYMENT BENEFITS LIABILITY	48
PROCUREMENT - CONFLICT OF INTEREST	50
PURCHASING.....	53
RECONCILIATIONS.....	56
REVENUE TURNOVER.....	60
TAILINGS	63
TAX ENFORCEMENT	65
YEAR-END CLOSING	69
APPENDIX	72
POLICY LOG.....	74
BUDGET CYCLE CALENDAR.....	76
CREDIT CARD PURCHASE AUTHORIZATION FORM	78

ANNUAL BUDGET CYCLE

PURPOSE

To promote transparency, fiscal sustainability, and procedural consistency, this policy establishes guidelines for developing, documenting, adopting, monitoring, and reporting the Town's annual budget. As the Town's central policy document, the budget lays out the community's prioritization of annual, and longer-range objectives, identifies financial goals, and articulates challenges. An instrument for turning strategic plans into reality, the budget constitutes a contract between the Town and its residents, explaining how funds are to be raised and allocated for the delivery of services.

APPLICABILITY

This policy pertains to the Town's annual budget development, documentation, adoption, and monitoring processes, and it encompasses the general fund, enterprise fund, and capital budgets. Within that scope, it applies to the policymaking and statutory roles of the Selectboard and Appropriations Committee, and job specific duties of the Town Administrator and Town Accountant. Additionally, it applies to the budget planning duties of all department heads and to the boards and committees that have spending authority (all referred to here as "department heads").

POLICY

Town officials will work together to prepare a balanced budget for the approval of town meeting voters. The creation of the budget will be guided by and reflect all the other financial planning policies adopted by the Town and contained in its policy manual. Town meeting has sole authority to appropriate funds for the budget, except for specific instances where statutes or regulations do not require appropriation (i.e., grants, gifts, and offset receipts). Furthermore, any approved appropriation can only be amended through a subsequent annual or special town meeting vote.

The Town Administrator is responsible for developing the annual budget and will do so according to the vision, goals, and strategic plans laid out by the Selectboard. The budget presented to town meeting voters shall be the Selectboard's finalized proposal. As the advisor for the interests of town meeting voters, the Appropriations Committee makes recommendations on all financial matters, including the budget. It is the goal of these parties to work together in a collaborative manner to present voters with a consensus budget.

All parties applicable under this policy are expected to conform to the milestone time frames laid out in section C. Budget Calendar and detailed in the Budget Cycle Calendar in the Appendix. In addition, all department heads will timely provide the Town Administrator with all requisite information for the creation of an informative and reader-friendly budget document, which will be made available to voters in advance of town meeting. As a model for the budget document, the Town Administrator will use the standards established by the Government Finance Officers Association (GFOA) in its Distinguished Budget Presentation program.

A. Budget Goals

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

- General Fund -- The annual budget presented will first secure core services and required mandates. To preserve the Town's quality of life by providing and maintaining adequate financial resources necessary to sustain a sufficient level of municipal services, and to respond to changes in the economy, the priorities of governmental and nongovernmental organizations, and other changes that may affect our financial health.
- Capital investment —To pay for items in the capital plan, the Town will strive to maintain the annual capital funding levels spelled out in the Capital Planning and Debt Management policies. Beyond this, the Town will plan to regularly fund, within departmental operating budgets, the maintenance costs for capital equipment, facilities, infrastructure, and other assets to maximize their useful lifespans.
- Enterprise funds – For the golf, wastewater, and solid waste budgets, the Town will attempt to set user charges and fees sufficient to recover all their associated direct and indirect costs so as to avoid or minimize any general fund subsidies.

B. Principles for Balanced and Sustainable Budgets

The Town Administrator will prepare an annual budget for approval by the Selectboard and Appropriations Committee and eventual incorporation in the annual town meeting warrant. To ensure maximum efficiencies, the Town Administrator will also review and report to these boards on the Town's methods of operation, program service delivery, resource expenditures, and manpower allocation. To assure the budget proposal is balanced and provides for sustainable trends in future budget years, the Town Administrator will apply the following principles:

- Current revenues will be sufficient to support current expenditures.
- The Town will avoid using any one-time revenue source to fund ongoing services unless necessitated by exceptional circumstances. Any such usage will require the Town Administrator to document a plan for replacing this revenue source in future years.
- Departmental budgets will be prepared so as to reflect the full costs of providing the services.
- Commitments to new wage increases and service enhancements can be considered after core services have been secured with recurring revenue.
- The Town Administrator will cultivate a strong, communicative relationship with the school department, regional authorities, and other collaboratives the community participates in so as to obtain early notice of their budget plans.

C. Budget Calendar

The budget process will be coordinated in a way that major policy issues are identified for review and discussion several months prior to budget approval. This will allow adequate time for public input and analysis of options. Annual and capital budget activities, beginning in each October with a kick-off meeting and continuing through annual town meeting in May, will be published in an annual budget calendar that specifies dates for estimating initial revenue projections, sending out appropriation guidelines and returning departmental requests, updating the capital improvement plan, compiling a working budget, and completing the finalized budget proposal. It will allow for

hearings, reviews and approvals at different levels and account for the time needed to print and distribute the warrant.

D. Budget Document

The Town Administrator will produce a transparent and user-friendly budget document that illustrates the budget's short- and long-term strategic goals. It will incorporate narrative information on departmental and organizational goals, provide details about the plans and resource allocations needed to meet them, and include graphical information about available financial resources. As a guide for the document, the Town Administrator will use the standards laid out by the [Government Financial Officers Association](#) (GFOA) in its Distinguished Budget Presentation Award program. The budget should include GFOA's [essential criteria](#).

E. Budget Monitoring

The Town Accountant will continually monitor the budget and provide regular formal reports to the Town Administrator, Selectboard, and Appropriations Committee. Budget-to-actual revenues will be reported quarterly to ensure timely budget adjustments, if needed, and thereby prevent any potential revenue deficit. Budget-to-actual expenditure balances will be reported monthly to ensure that the total of expenditures and purchase commitments in any account does not exceed the authorized budget for that account.

The Town will take immediate corrective actions if at any time during the fiscal year expenditure or revenue estimates indicate a projected operating deficit by year-end. Corrective actions can include, but are not limited to, hiring freezes, expenditure reductions, layoffs, or use of contingency funds.

F. Cyclical Budget-Related Activities

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

REFERENCES

[M.G.L. c. 39, § 16](#)

[M.G.L. c. 58, §§ 25, 25A](#)

[M.G.L. c. 70](#)

[M.G.L. c. 41, §§ 15A, 57, 58, 59, 60](#)

[M.G.L. c. 59, § 21C](#)

[M.G.L. c. 71B, §2](#)

[M.G.L. c.44, §§31, 33A, 33B, 53A, 53F½](#)

[M.G.L. c. 69, §1B](#)

[M.G.L. c. 76, §12B](#)

[M.G.L. c. 78, §19A-19B](#)

South Hadley bylaws: Article IV, Selectboard-Town Administrator Act, Chapter 458, Acts of 2012, Appropriations Committee, Chapter 7-25, and Capital Planning Committee, Chapter 7-26

South Hadley policies on Capital Planning, Debt Management, Financial Reserves, Forecasting, Indirect Cost Allocation, One-Time Revenues, Other Postemployment Benefits Liability and Year-End Closing

Division of Local Services (DLS) Best Practices: [*The Annual Budget Process Specific to Towns*](#)

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

DLS [*Municipal Calendar*](#)

GFOA Best Practices [*Achieving a Structurally Balanced Budget*](#) and [*Financial Forecasting in the Budget Preparation Process*](#)

Massachusetts Municipal Associations, [*Massachusetts Finance Committee Handbook*](#)

EFFECTIVE DATE

This policy was adopted on [date].

ANTIFRAUD

PURPOSE

To protect the Town's assets and reputation from misappropriation and abuse, this policy provides guidelines to safeguard against fraudulent activities or 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 laws or ethical business practices and will not permit any activity that fails to stand the closest possible public scrutiny. The Town intends to fully, objectively, and impartially investigate 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 shall mean any person responsible for or to South Hadley's government and 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

B. Antifraud Responsibilities

All department heads and local officials are responsible for instituting and maintaining systems of internal controls to aid in preventing and detecting instances of abuse, fraud, and other improprieties. They are expected to recognize risks and exposures inherent in their areas of responsibility and be alert for any irregularities. In addition, all Town employees and officials are obliged to report suspected instances of misconduct and are subject to disciplinary action for any failure to report.

The Selectboard delegates to the Town Administrator primary responsibility for overseeing the investigation of all reports of fraudulent or abusive activity.

C. Reporting Suspicion of Fraud

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

The Town Administrator is accountable for maintaining the confidentiality of all information related to a report of potential fraud or abuse, and the person making the report is protected from retaliation under the provisions of Section G below. The Town therefore strongly encourages individuals to put their names to reports; however, an anonymous report can be emailed to the Town Administrator at msullivan@southhadley.ma.gov.

D. Security of Evidence

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

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

E. Investigation

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

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

The Town will investigate every nonanonymous report of suspected fraud or abuse. For any anonymous report, the Selectboard will decide whether or not a formal investigation is justified based on the following:

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

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

At the investigation's conclusion, the Town Administrator or other assigned investigator will provide a written report of findings to the Selectboard. If it supports a finding of fraud or abuse, the Town will pursue disciplinary actions against any individual(s) involved and make every reasonable effort to recover any lost assets. On the advice of Town Counsel, the Selectboard may also report the violation(s) to the proper authorities to pursue appropriate legal actions.

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

F. Confidentiality

All participants involved in a fraud investigation will keep its details and results confidential so as not to violate any individual's expectation of privacy, and the Town Administrator will ensure that all related documents are securely stored. No investigation-related verbal information or documents may be shared with anyone not formally assigned to the investigation. No person employed by or

otherwise acting on behalf of the Town may make any comment to the media or any other party without explicit authorization from the Town Administrator or Selectboard.

G. Protections, Prohibitions and Penalties

In addition to the whistleblower protections provided by federal and state laws, this policy prohibits retaliation of any kind against any employee who makes a good faith report pursuant to this policy, regardless of the investigation's outcome. No Town employee or person acting on behalf of the Town, in attempting to comply with this policy shall be:

- Dismissed or threatened with dismissal
- Disciplined, suspended, or threatened with discipline or suspension
- Intimidated or coerced
- Penalized or otherwise subjected to any other form of retaliation

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

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

H. 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 any findings of bond offering information falsification, the Town Administrator will disclose this in writing to the bondholders.

REFERENCES

[M.G.L. c. 149 § 185](#)

South Hadley Bylaw Article IV, Selectboard-Town Administrator Act, Chapter 458, Acts of 2012

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

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 Selectboard, Town Administrator, Appropriations Committee, and Capital Planning Committee (CPC). It also applies to related job duties of the 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, five-year plan for capital improvements. The Town will emphasize preventive maintenance as a cost-effective approach to capital reinvestment and replace exhausted goods as necessary.

The Town Administrator, in consultation with the CPC, is charged to oversee South Hadley's capital improvement program. This involves maintaining a capital asset inventory, identifying and prioritizing projects, analyzing funding, and creating a long-term financial plan achievable within the Town's budget limitations. The CPC's membership includes three members appointed by the Selectboard, two by the School Committee, three by the Appropriations Committee, and one by the Planning Board, all serving three-year staggered terms.

A. Definition of a Capital Improvement

A capital improvement is a tangible asset or project estimated to cost¹ over \$25,000, to have or to extend five or more years of useful life and purchased or undertaken at intervals of not less than five-years. Any capital-related expenditure that does not meet both criteria must be financed within departmental operating budgets. Capital projects include:

- Real property acquisitions, construction, and long-life capital equipment
- Major improvements to physical infrastructure, such as streets, sidewalks, stormwater drains, and wastewater collection 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

¹ The current policy defines a capital asset or project estimated cost of \$10,000 or more.

- 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. Capital Asset 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 a part of the annual budget process, the Town Administrator will solicit capital project requests from department heads and then evaluate and prioritize them, with the CPC, using the criteria below:

1. Eliminates a hazard to public health and safety
2. Required by state or federal laws or regulations
3. Supports adopted plans, goals, objectives, and policies
4. Stabilizes or reduces operating costs
5. Uses outside financing sources, such as grants
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

D. Multiyear Capital Improvement Plan

The Town Administrator will annually update a five-year capital improvement plan (CIP) and provide it to the Selectboard and Appropriations Committee. The CIP will include 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. Only projects that have gone through the evaluation process will be included in the CIP unless required by an emergency. In this case, a written report explaining the emergency must be provided to the Selectboard.

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

Annually, the Town will strive to maintain net-budget-financed capital improvement expenditures at a level of two to three percent of net operating revenues. Net-budget-financed capital improvement expenditures are those paid for out of the Town's annual budget as opposed to those financed through long-term debt. Net operating revenues are gross revenues less debt exclusions, capital exclusions, enterprise revenues, free cash, grants, transfers and non-recurring revenues.

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

- Available funds (e.g., free cash, specialized stabilization funds) will be a funding source for capital projects as much as practical.
- Short-term debt may be used to fully finance purchases with useful lifespans of less than 10 years.
- Before any long-term, bonded capital project is recommended, the project's annual operating costs and debt service costs shall be identified.
- Special revenue sources (e.g., grants, revolving funds) shall be evaluated as funding options whenever practical.
- 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 three enterprise funds (i.e., Golf, Wastewater, and Solid Waste) shall be financed from user fees.

F. Betterment Assessment

When a capital project provides a measurable financial benefit to property owners in a limited and determinable area, as opposed to the community as a whole, the Town will assess betterments that do not exceed the value of the private benefit in accordance with state statutes and local policies. Before making the final decision to move forward with a public improvement, the following will be presented to town meeting.

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

Betterment payments are reserved for appropriation to pay the debt service associated with the projects.

REFERENCES

[M.G.L. c. 44, § 20](#)

[M.G.L. c. 44, § 53J](#)

[M.G.L. c. 80, § 13](#)

South Hadley bylaws: Article IV, Selectboard-Town Administrator Act, Chapter 458, Acts of 2012, Appropriations Committee, Chapter 7-25, and Capital Planning Committee, Chapter 7-26

South Hadley policies on Debt Management and Financial Reserves

DLS Best Practices: [Presenting and Funding Major Capital Projects](#)

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

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

EFFECTIVE DATE

This policy was adopted on [date].

CREDIT CARD USAGE

PURPOSE

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

APPLICABILITY

This policy applies to the job responsibilities of the Deputy Town Administrator and Town Accountant. It also applies to all Town department heads, officials, and employees with spending authority (all referred to below as "employees").

POLICY

The Town shall have one credit card account with two physical credit cards, one under the custody and control of the Deputy Town Administrator and the other in the possession of the Town Accountant. Exceptions to any provisions in this policy must be approved in advance by the Town Administrator and Town Accountant.

A. Allowable Use

Town employees may request to make a purchase using the Town's credit card on a limited, exceptional basis. Its usage shall not be a routine alternative to payment under the normal warrant approval procedures but is intended for transactions that are only possible by, or are most cost-effective by, credit card, including those connected to public safety emergencies. The Town is a tax-exempt entity; therefore, sales tax shall not be included with the cost of any card purchases.

The following are prohibited uses of the credit card:

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

B. Purchases

Prior to making a credit card purchase, an employee must complete a credit card purchase authorization form (included in the appendix). The department head must sign the form to attest that the purchase is being made within the proper appropriation. Because payment in this circumstance is effectively made in advance of a warrant, the Town Accountant must also sign the form, verifying that the purchase is consistent with the appropriation's intent, sufficient funds are available to cover the cost, and no fraud is evident. Once these prerequisites are completed, the Deputy Town Administrator will approve the request.

Possession of the credit cards will remain with the Deputy Town Administrator and Town Accountant. As a rule, all transactions will be made by the Deputy Town Administrator. In rare instances, for

purchases required with the credit card at a brick-and-mortar merchant or an online user account that has an established, secure login, the Deputy Town Administrator may release the credit card to the employee making the purchase. The employee must complete the transaction and return the credit card to the Deputy Town Administrator before the end of the business day. Any employee in custody of the card must immediately report to the Deputy Town Administrator if it is lost or stolen.

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

C. Administration

The Deputy Town Administrator is responsible for administration of the credit card, including but not limited to selecting the card issuer, setting the total purchase limits, ensuring proper use, paying credit card bill timely, and disputing any false charges.

D. Warrant Process

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

All items purchased with the credit card must be received by the department prior to the end of the credit card's monthly billing cycle and never delivered later than June 30th of any fiscal year for payments to be made for that fiscal year. No backordering of merchandise is allowed.

E. Audit

The Town Accountant will conduct random audits of the credit card activity, receipt retention, and statements. All activity is subject to review by the South Hadley's independent auditing firm.

PROCEDURES

In accordance with this policy, the Deputy Town Administrator and Town Administrator will create a detailed set of procedures for its use, stipulating each step in the process and all required documentation. Important details to include are:

- Step-by-step description of the purchase, approval, and reconciliation processes
- Guidelines for appropriate use
- Dollar limits per transaction and month
- Description of required documents and their necessary details
- Procedures for resolving disputed charges
- Segregation of duties
- Audits

REFERENCES

[M.G.L. c. 44, § 58](#)

[M.G.L. c. 44, § 64](#)

Town of South Hadley Disbursements Policy

FORMS

Credit Card Purchase Authorization Form

EFFECTIVE DATE

This policy was adopted on [date.]

DEBT MANAGEMENT

PURPOSE

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

APPLICABILITY

This policy applies to the budget decision-making duties of the Selectboard, Town Administrator, and Appropriations Committee. 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. Use special assessments, betterment assessments, and similar dedicated revenues to fund long-term debt.

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. The Town will seek to maintain an average maturity of Town's total outstanding long-term debt at less than 10 years.
5. 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.
6. For new long-term debt, the Town will pursue net direct debt service schedules with annual principal and interest payments (net of any reimbursements or dedicated revenue sources) that are sustainable using recurring revenues.
7. The Town will attempt to maintain total net debt service at four to six percent of net operating revenues (gross revenues less debt exclusions, capital exclusions, enterprise revenues, free cash, grants, transfers and non-recurring revenues).
8. 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 Town Administrator and Selectboard 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 South Hadley's Annual Town Report.
3. The Town Accountant, with the Town's financial advisor, will file an annual audit report and official disclosure statement within 270 days of the end of the fiscal year.

REFERENCES

[M.G.L. c. 41, §§ 59, 61](#)

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

[M.G.L. c. 80, § 13](#)

[26 USC § 148](#)

South Hadley Capital Planning Policy

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

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

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

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

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

EFFECTIVE DATE

This policy was adopted on [date].

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 Deputy Town Administrator's role as supervisor of the Human Resources (HR) Department. It also applies to pertinent job duties of the Town Accountant, Treasurer/Collector, and their designees and to the Town Administrator'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 Town Administrator. Accordingly, the Town Accountant is responsible for finalizing every AP and payroll warrant and the Town Administrator for approving them, as evidenced by his signature. In the Town Administrator's absence, the Selectboard shall approve all warrants by majority signatures.

All payroll expenditures must be based on approved time and attendance records and consistent with collective bargaining agreements, personal service contracts, or South Hadley personnel bylaw. All vendor payments must be based on original invoices and issued only to entities with valid form W-9s on file. All invoices must be charged to the proper fiscal year. Payment for any bills payable for a prior fiscal year must be approved by vote of town meeting in accordance with [M.G.L. c. 44, § 64](#).

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 Deputy Town Administrator is responsible for maintaining the Harpers Payroll database of all active town employees including their salaries, pay rates, stipends, weekly work hours, earned leave time, benefit options, and withholdings within the payroll module. Any change to an employee's employment status, work hours, or pay rate can only be made by the Deputy Town Administrator based on a personnel action form approved by the appropriate department head, Town Accountant, and Town Administrator.

The Deputy Town Administrator also has oversight responsibility for maintaining the Harpers Payroll database of employee leave time accumulations and usage. Any change to any employee's rate of accumulation within the database must be supported by one of the following documents: collective

bargaining agreement, classification schedule, or personal services contract. Deductions to leave time will be based on data reported on biweekly time sheets.

B. Responsibilities Related to Disbursement Processing

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

The **Town Accountant** (and/or any delegated staff) 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 Town Administrator for approval
- Ensuring the payroll warrant balances with the HR Department's payroll preliminary report before providing it to the Town Administrator and subsequently notifying the HR Department 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 **Deputy Town Administrator** (and/or any delegated staff) is responsible for:

- Reviewing payroll data in the Harpers Payroll database based on departmental electronic time sheet submissions
- Delivering the payroll warrant to the Treasurer/Collector to be funded
- Monitoring and maintaining employee leave time balances in the Harpers Payroll database on both pay period and annual accrual bases

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

- 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 Town Administrator, funding the gross payroll plus the Town's portion of Medicare tax and the total AP warrant in the associated bank accounts
- Dispersing payroll by direct deposit, which is mandatory for all employees
- Mailing out all AP checks to the vendors

- The Treasurer/Collector will not give any vendor checks to department heads or other employees to mail
- Updating the cashbook to document the disbursement activity

The **Town Administrator** is 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 Town Accountant will prepare a supplemental warrant with the approval of the Town Administrator. In such a case, the department head will submit the expense to be processed using the normal warrant process, ensuring it is properly posted and funded.

D. Audit

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

REFERENCES

[M.G.L. c. 41, §§ 41, 41A, 41B, 41C, 42, 43, 52, 56](#) [M.G.L. c. 30B](#)
[M.G.L. c. 44, §§ 56, 58, 64](#)

South Hadley Bylaw Article IV, Selectboard-Town Administrator Act, Chapter 458, Acts of 2012

South Hadley, *Personnel Policy Manual*

South Hadley's collective bargaining agreements, classification and compensation plan, 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. All travel involving an overnight stay must be requested in writing and approved in advance by the Deputy Town Administrator.

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 Deputy Town Administrator and Treasurer/Collector and forward copies to the Town Administrator and the originating department head. Resolution of all disputes shall reside with the Town Administrator.

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, and taxi fares.

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.

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's Office 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 the Travel Reimbursement Form or Business 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 or destination, 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 Travel Reimbursement Form or Business 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 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, South Hadley 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 Selectboard, Town Administrator, and Appropriations Committee. 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 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 15 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 year-to-year certified free cash 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. Furthermore, the Town will strive to keep its year-end unappropriated free cash balance at a minimum of \$500,000.

B. Stabilization Funds

A stabilization fund is a reserve account allowed by state law to set aside monies to be available for future spending purposes, including emergencies or capital expenditures, although it may be appropriated for any lawful purpose. The Town has established five stabilizations as detailed below. All of them are accounted for and reported as trust funds, regardless of authorized use.

General Stabilization: The Town will endeavor to maintain a minimum balance of five to seven percent of the current general fund operating budget in its general stabilization fund. Withdrawals from general stabilization should only be used as a last resort to avoid serious disruption of Town services or to otherwise 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 to seven 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.

Special Purpose Stabilization Funds: The Town currently has four special purpose stabilization funds detailed below.

Capital Stabilization Fund: The Town will appropriate annually to this fund so that over time it achieves a target balance of two to three percent of the Town's annual operating budget for the purpose of covering the Town's policy target for annual cash capital outlay.

Senior Center Stabilization Fund: This fund's purpose is to help cover capital cash outlays and mitigate future debt service for the construction of a new senior center. The fund's target balance shall be \$600,000.

Energy Stabilization Fund: Funds appropriated to this account reflect the amount of guaranteed savings to be generated from the Energy Management Services Agreement (EMSA Siemens contract). These funds are to be used to cover the EMSA debt service.

Mosier School Stabilization Fund: The purpose of this fund is to help cover capital cash outlays and mitigate future debt service costs to improve, repair or replace the Mosier School.

C. Retained Earnings

The Golf, Wastewater, and Solid Waste Departments' finances are managed under enterprise funds, separately from the general fund, which allows the Town to effectively identify these operations' true delivery costs—direct, indirect, and capital—and set user fees at levels sufficient to recover them. Under this accounting, the Town may reserve each operation's generated surplus (referred to as retained earnings) rather than closing the amount to the general fund at year-end. Each enterprise reserve will be used to provide rate stabilization and fund major capital projects.

For each enterprise fund, the Town will maintain a minimum reserve amount of 25 percent of the operation's total budget, representing three months' worth of expenditures. These reserves shall be used to provide rate stabilization and to fund major, future capital projects, but whenever any major infrastructure improvements are being planned for any enterprise operation, its minimum target should be revised upward. To maintain the target reserve level for any fund requires the Selectboard 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. It can be used for other purposes only after it is determined to have a surplus. Therefore, unlike the other two types of general fund reserves, this policy does not set a consistent, specific funding target for the overlay. Rather, each year as part of the budget process, the Board of Assessors will vote to raise an overlay amount on the annual tax recapitulation sheet based on the following:

- Current balance in the overlay account
- Three-year average of granted abatements and exemptions
- Potential abatement liability of 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 overlay balance exceeds the amount of potential liabilities, the Selectboard may request that the Board of Assessors vote to declare it as 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. 44 § 53F½](#)

[M.G.L. c. 59 § 25](#)

South Hadley policies on Capital Planning and Forecasting

DLS Best Practices: [The Importance of Free Cash](#) , [The Importance of Reserve Policies](#), and [Special Purpose Stabilization Funds](#)

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

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

EFFECTIVE DATE

This policy was adopted on [date].

FORECASTING

PURPOSE

To assess the range of choices available to budget decision makers when determining how to allocate resources, this policy establishes guidelines for creating multiyear projections of revenues and expenditures as part of the annual budget process and long-term fiscal planning. Forecasting helps local officials understand the long-range implications of pending near-term decisions. In so doing, a multiyear forecast helps guide forward-looking budget processes that enable the community to avert potential deficits, promote long-term financial health, and strategize for capital investment and community development.

APPLICABILITY

This policy applies to the Selectboard, Town Administrator, and Appropriations Committee in their budget analysis and decision-making responsibilities. It also applies to the job duties of the Town Accountant and the managers of all revenue-generating departments, including the Ledges Golf Club and Solid Waste and Water Pollution Control Divisions of the Public Works Department.

POLICY

To determine the Town's operating capacity for future fiscal years, the Town Administrator will annually create a detailed forecast containing five-year projections of revenues and expenditures for all operating funds. The Town Administrator, Selectboard, and Appropriations Committee will use the forecast to support their decision making, for the upcoming year's operating and capital budgets and for the Town's multiyear capital improvement plan. As a general rule, the Town Administrator will create conservative forecasts. In basic terms, this entails reviewing historical revenue and expenditure trends, anticipating factors that may impact those trends going forward, analytically developing assumptions, and then formulating reasonable revenue and realistic expenditure projections.

Early in the annual budget process, the Town Administrator will present the initial forecast to a joint meeting of Selectboard and Appropriations Committee. Throughout the budget process, these boards will use the forecast to inform their decision making. In addition, the Town Administrator will promptly revise the forecast projections whenever circumstances change and provide updates to the Appropriations Committee and Selectboard.

On an annual basis, the Town Administrator will review the performance accuracy of prior-year forecast and any evolving factors related to the underlying assumptions to consider how projections in the new forecast may need to be adjusted. Factors to consider include changes in laws, regulations, inflation rate, interest rate, town goals, and policy decisions.

A. Guidelines for Revenue Assumptions

The following principles shall guide the formulation of revenue assumptions:

- Projections of the property tax levy will be confined by the limits of Proposition 2½ (absent any overrides) and take into consideration consensus decisions regarding the Town's level of excess levy capacity.

- New growth projections will take into account the Town's three-, five- and 10-year averages by property class and advice from the Associate Assessor.
- The Town Administrator will annually review the levy limit's relationship to the levy ceiling (which is 2.5 percent of the Town's real and personal property total value) to identify potential override capacity and to guard against the levy limit approaching or hitting the ceiling, which would impact future levy growth.
- Local aid projections will correspond with economic cycles, while Chapter 70 educational aid will reflect trends in school choice, enrollments, tuition, and charter assessments.
- Estimates for local receipts (e.g., motor vehicle excise, inspection fees, etc.) will not exceed 90 percent of the prior year's actual collections without firm evidence that higher revenues are achievable.
- One-time revenues will not be used in the projections to fund ongoing or recurring operating expenditures.
- Rates for the Town's golf, wastewater, and solid waste enterprise operations will be set at levels sufficient to cover all operating and capital costs so as to minimize any general fund subsidies.
- The golf, wastewater, solid waste, and electric light budgets will reimburse the general fund for indirect costs.
- Revenues from grant programs will be reviewed annually to determine their sustainability.
- The Town will build and maintain reserves in compliance with its Financial Reserves policy.

B. Guidelines for Expenditure Assumptions

Annually, the Town Administrator will 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.

The following principles shall guide the formulation of expenditure assumptions:

- The Town's current level of services will provide the baseline for projections.
- Historical trends in the growth of operating expenses and employee benefits will prevail.
- The Town will annually meet or exceed the state's net school spending requirements.
- Trends in school choice, enrollments, tuition, and charter assessments will be factored.
- Only known increases connected to compensation plans or schedule for the salaries/wages of regular employees will be factored in the projections.
- Potential cost-of-living adjustments to account for the impact of future contract settlements and compensation plan increases will be calculated independent of the forecast.
- The Town will pay its annual pension contributions and make appropriations to amortize its other postemployment benefits liability.
- The Town will pay all existing debt service obligations and adhere to its Capital Planning and Debt Management policies.

REFERENCES

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

South Hadley policies on Capital Planning, Debt Management, Financial Reserves, Grants Management, and Indirect Cost Allocation

DLS Informational Guideline Release 17-21: [Borrowing](#) and Best Practice: [The Importance of Revenue and Expenditure Forecasting](#)

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

EFFECTIVE DATE

This policy was adopted on [date].

GRANTS MANAGEMENT

PURPOSE

To ensure South Hadley 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 Selectboard, 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. The Town Administrator will review all municipal applications for grants and all must receive preapproval by the Selectboard. 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 Town Administrator. 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, the project manager will submit a meeting agenda item requesting preapproval from the Selectboard 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 to the Town Administrator to formally accept by signature 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. Federal grants will be identified by including the CFDA (catalogue of federal domestic assistance) number. When notified of any amendment or adjustment by the grantor, the 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 Human Resources 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 South Hadley'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](#)

South Hadley Bylaw Article IV, Selectboard-Town Administrator Act, Chapter 458, Acts of 2012

South Hadley Disbursements Policy

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

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

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

EFFECTIVE DATE

This policy was adopted on [date].

INDIRECT COST ALLOCATION

PURPOSE

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

APPLICABILITY

This policy applies to the budgetary responsibilities of the Town Administrator, Town Accountant, School Superintendent, and Light Department General Manager. Further, it encompasses the administrative functions performed on behalf of the School Department and the business-type operations by the Accounting, Treasurer/Collector, Information Technology, Human Resources, and Town Administrator Departments.

BACKGROUND

Under authority established in [M.G.L. c. 44 § 53F½](#) (for golf, wastewater, and solid waste services) and [M.G.L. c. 164](#) (for light service), the accounting transactions for these operations are recorded and managed separately from the general fund. Their revenues and expenses are not commingled with those of any other governmental activity, and consequently there are separate financial statements for each. Consolidating each of these program's direct and indirect costs, debt service, and capital expenditures into its own distinct, segregated fund allows the Town to demonstrate to the public the true, total cost of providing the particular service.

Similarly, direct and indirect shared costs are calculated and reported as part of the annual budget to demonstrate the town's full support of the School Department. General fund Town expenditures are determined based on a formal agreement between the School Committee and the Selectboard for specific provided services, excluding benefits for non-school-department employees and debt service.

POLICY

As part of the annual budget process, the Town Accountant will calculate the indirect costs to the general fund of the four business-type operations and School Department and review the calculations with the Town Administrator, Light General Manager, and School Superintendent. Based on the results, the Town Accountant will record transfers between the relevant business-type funds by June 15 each year and will report the school-related data to the Department of Elementary and Secondary Education (DESE) in the End of Year (EOY) report by September 30. 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 business-type operation's or School Department's personnel expenses budgeted in the general fund. Also accounted for will be certain administrative services performed on behalf of these departments by other departments, namely:

- Accounts payable, payroll, and general ledger services provided by the Accounting Department

- Collections, turnover processing, banking, investment, tax title, provided by the Treasurer/Collector Department
- Network, systems, and data services provided by the Information Technology Department
- Personnel administration, benefits, and payroll services provided by the Town Administrator and Human Resources Departments

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 below.

The following expenses will be included in the calculations for both Wastewater and Solid Waste:

- Benefits for active and retired employees, including insurances, Medicare tax, unemployment, and workers' compensation
- Pensions
- Vehicle insurance
- Property insurance
- Independent audit services
- Actuarial services
- Legal services
- Other costs that may be agreed to and documented

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

- Recreation department services and expenses, including benefits (i.e., insurances, Medicare tax, and workers' compensation) and pensions
- Property insurance
- Legal services
- Other costs that may be agreed to and documented

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

- Benefits for active and retired employees, including insurance and Medicare tax
- Pensions

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

- Benefits for active and retired employees, including insurances, Medicare tax, unemployment, and workers' compensation
- Pensions for non-teaching staff
- Vehicle insurance
- Property insurance
- Independent audit services
- Actuarial services

B. Explanation of Calculation Methodologies

1. **Actual cost**, as the term implies, involves the identification of specific costs attributable to the business-type operations or School Department based on documented schedules or bills payable, including debt service and insurance premiums.
2. The **proportional** method is a straightforward calculation of each business-type operation's or School Department's net-of-debt budget as percentage of the total combined net-of-debt budget of that business-type or school operation 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 business-type or school operation 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 an example, the Town Accountant estimates his department spends an average of two hours weekly, or five percent, on Wastewater-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.

$$\frac{\text{Hours worked on business-type or school department activities per year by individual(s)}}{\text{Total hours worked per year by individual(s)}} \times \text{Salary and benefits (as allowed) of individual(s) working on business-type or school department activities} = \text{Indirect Departmental Salaries}$$

Any department's or official's expenses related to Golf, Wastewater, and Solid Waste activities are charged directly to the respective budgets. The Town receives an annual payment from the Light Department as reimbursement for its indirect costs.

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

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

C. Calculations by Cost Category

[This section should be expanded when calculation methodologies are established for other categories.]

1. **Health and Life Insurances**

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

2. **Medicare**

The Town's Medicare cost represents the employer match of the Medicare tax charged to employees hired after April 1, 1986. Using the actual cost method and based on employee W-2s, the costs will be calculated as 1.45 percent of the total gross wages paid by the Town on behalf of each eligible Golf, Wastewater, Solid Waste, Light, and School 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 Hampshire County Retirement System is multiplied by the respective proportion of each of the total Wastewater, Solid Waste, Light, and School Department employees' compensation to the total employee compensation as reported to the Public Employee Retirement Administration Commission.

4. **Audit**

External audit costs will be based on the proportional method. The Wastewater and Solid Waste operations shall each pay the proportion of the cost of the Town's annual independent audit based on effort of the Town's independent auditor. The Light Department conducts its own audit.

5. **Administrative Services**

The indirect costs for department-related administrative services performed by the Accounting, Treasurer/Collector, Information Technology, Human Resources, 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 department.

REFERENCES

[M.G.L. c. 44 § 53F½](#)

[M.G.L. c. 164](#)

[603 CMR 10.00](#), School Finance regulation

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

APPLICABILITY

This policy applies to the Treasurer/Collector's duties to manage and invest Town funds. If the Town contracts with any investment advisor(s), the Treasurer/Collector will provide this policy to them and verify compliance. The policy's scope pertains to all short-term operating funds and to all long-term reserve, investment, and trust funds, with the exception of the Town's retirement fund, which is managed and invested by the Hampshire County 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 prudent investment standards. The Treasurer/Collector will manage all investments so as to achieve a fair market average rate of return within the context of all relevant statutory, safety, and liquidity constraints.

A. Investment Objectives

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

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

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

For **trusts and other long-term funds** (e.g., stabilization funds, cemetery perpetual care, and any similar funds set aside for long-term use), liquidity is less important than growth. The Treasurer/Collector will pool any individual funds that are invested in the same institution while also maintaining each fund in its own account so as to allow for the proper proportioning of interest and

any realized and unrealized gains or losses. All trust funds are under the Treasurer/Collector's control unless otherwise directed by their particular donor(s).

B. Conflict of Interest

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

C. Investment Instruments

Under this policy, and in compliance with state statutes, the table below defines allowable investment instruments and guidelines.

Instrument Type	Short-term Funds	Long-term Funds
Depository accounts in Massachusetts state-chartered banks, including savings, checking and NOW accounts, and money market deposit accounts	No limitations	No limitations
Certificates of deposit (CDs) in Massachusetts state-chartered banks only	Unlimited amounts and maturity up to three years	No limits on amounts or maturity dates
The Massachusetts Municipal Depository Trust (MMDT) , the State Treasurer's investment pool for public entities.	No limitations and the pool is liquid	No limitations
U.S. Treasury or other U.S. government agency obligations	Unlimited amounts and up to one year from date of maturity	No limitations
Bank-issued repurchase agreements ("repos") secured by U.S. Treasury or other U.S. government agency	Maximum maturity of 90 days	Repos are by their nature short-term and therefore not appropriate for the growth objective of long-term funds.

Instrument Type	Short-term Funds	Long-term Funds
Money market mutual funds	<ul style="list-style-type: none"> ▪ Must be registered with the Securities and Exchange Commission (SEC) ▪ Must have the highest possible rating from at least one rating organization ▪ These are liquid investments, so maturity term is not applicable 	<ul style="list-style-type: none"> ▪ Must be registered with the SEC ▪ Must have the highest possible rating from at least one rating organization
Common and preferred stock, investment funds, and any other type of investment instrument specified in the List of Legal Investments	Not allowed	<ul style="list-style-type: none"> ▪ The Town's aggregate amount of long-term funds must exceed \$250,000 to invest in these. ▪ Investment in mortgages, collateral loans, and international obligations is prohibited. ▪ Cannot invest more than 1.5% of a particular fund in the stock of any single banking or insurance company ▪ Cannot invest more than 15% of total aggregated funds in banking or insurance company stocks

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

D. Risk Tolerance Guidelines

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

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

E. Diversification

The Treasurer/Collector will invest in a diverse portfolio to prevent overconcentration in any institution, issuer, or maturity type. Apart from money placed in the MMDT or obligations backed by U.S. government agencies, the Treasurer/Collector will invest no more than 25 percent the Town's long-term funds with a single financial institution. In addition, the Treasurer/Collector will ensure compliance with the various allowable percentage thresholds for specific investment instruments and issuers set forth in the List of Legal Investments.

F. Selection of and Relationship with Financial Institutions

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

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

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

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

G. Standards of Care

The Treasurer/Collector must review, understand and comply with the state's Prudent Investor Act ([M.G.L. c. 203C](#)). The Treasurer/Collector shall be relieved of personal responsibility for any individual security's credit risk or market price changes, provided that its purchase and sale have been carried out in accordance with the Act and the provisions of this policy.

H. Reporting Requirements

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

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

REFERENCES

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

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

[M.G.L. c. 167, § 15A](#)

[M.G.L. c. 29, § 38A](#)

[M.G.L. c. 110A, § 201](#)

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

South Hadley Procurement Conflict of Interest Policy

MA Division of Banks [List of Legal Investments](#) and database of [MA-chartered banks](#)

Massachusetts Depositors Insurance Fund [FAQs](#)

MA Secretary of State webpage, [Registration Inspections, Compliance and Examinations Section](#)

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

SEC webpage [Form ADV Information](#)

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

EFFECTIVE DATE

This policy was adopted on [date].

ONE-TIME REVENUES

PURPOSE

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

APPLICABILITY

This policy applies to the Town Administrator, Town Accountant, Selectboard, and Appropriations Committee in their budget analysis and decision-making responsibilities. It pertains to any source of revenue that occurs in isolation in a given year (i.e., not repetitively, either year after year or over a limited period of years). These sources can include, but are not limited to, free cash, overlay surplus, sale of municipal assets, tax lien sales, insurance proceeds, and gifts.

POLICY

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

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

1. Cash capital budget
2. General stabilization fund
3. OPEB trust fund
4. Other Stabilization funds

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

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

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

REFERENCES

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

South Hadley Forecasting Policy

[*Bond Premiums and Debt Exclusions*](#), Division of Local Services Bulletin 2013-01B

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 Selectboard, Town Administrator, and Appropriations Committee in their budget decision-making duties, and it also applies to the OPEB-related job duties of the Treasurer/Collector and Town Accountant. This policy pertains to the Town's OPEB trust fund but not to the Light Department's OPEB trust fund, which was established separately by the Light Board as allowed by [M.G.L. c. 32B, § 20](#).

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 Selectboard.

B. Trust Management and Investment

The Town has established an OPEB Trust Fund and designated as its trustee the Treasurer/Collector. 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 enterprise operations remain self-supporting, the Selectboard 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. Among strategies to consider for funding the ADC:

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

REFERENCES

[M.G.L. c. 32B, §§ 20 and 20A](#)

[M.G.L. c. 44, §§ 54 and 55](#)

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

South Hadley Investments Policy

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

GASB Statements 75: [Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions](#) and 74: [Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans](#)
Government Finance Officers Association Best 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 process, this policy sets guidelines for vetting potential 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 Deputy Town Administrator (as South Hadley'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. South Hadley 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.

A. Confidentiality during the Bid Evaluation Process

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

The departmental purchasing employee will:

1. Identify all participants of 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 Deputy Town Administrator.

The Deputy Town Administrator will:

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.

C. Disclosure and Review

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

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

The Deputy Town Administrator will:

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

D. Compliance Reviews

The Town Accountant 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].

PURCHASING

PURPOSE

To optimize the value received for Town expenditures, assure employees comply with the state's procurement laws, and avoid exposure to any bid disputes, this policy establishes standards and practices for the purchasing of materials, supplies, and services.

APPLICABILITY

This Town-wide policy applies to all employees and officials involved in procurement or purchasing.

POLICY

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

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

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

A. Quotation and Bidding Requirements

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

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

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

B. Sole Source Procurements

Competitive bids may be waived in instances where there is only one vendor that can provide the relevant equipment, materials, or services. Any department head intending to make a sole source

procurement must first submit supporting documents to the Deputy Town Administrator for preapproval.

C. Purchasing Employee/Department Head Responsibilities

Department heads will ensure their purchasing complies with the following provisions.

Purchase costing less than \$10,000:

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

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

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

Purchase costing \$50,000 and over:

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

D. Deputy Town Administrator Responsibilities

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

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

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

Purchase costing \$50,000 and over:

- Write an IFB or RFP in accordance with guidelines in the IG's manual.
- Follow the IG's guidelines for advertising the IFB/RFP and for receiving, reviewing and awarding bids.
- Maintain a log of all bids, including the number of them received and their dollar values.
- Work with department heads to write the contract for the awarded vendor and refer proposed contracts for the Town Counsel's review.
- Ensure every finalized contract is signed by the vendor and Town Administrator. Construction

contracts must also be signed by the Town Accountant, per M.G.L. c. 44, § 31C.

- Retain originals of all bid documents, including specifications, vendor responses, evaluations, and award determinations, for six years after the bid due dates.
- Provide the Town Accountant with copies of all executed contracts.

E. Town Administrator Responsibilities

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

F. Town Accountant Responsibilities

The Town Accountant will:

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

REFERENCES

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

[M.G.L. c. 44, § 31C](#)

South Hadley Bylaw Article IV, Selectboard-Town Administrator Act, Chapter 458, Acts of 2012

South Hadley's policies on Procurement Conflict of Interest and Disbursements

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

EFFECTIVE DATE

This policy was adopted on [date].

RECONCILIATIONS

PURPOSE

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

APPLICABILITY

This policy applies to the Town Accountant, Treasurer/Collector, Deputy Town Administrator, their designees, and all departments that use special revenue funds or have accounts receivable responsibilities (e.g., Wastewater, Solid Waste, Light, Police, Recreation, etc.).

POLICY

The Treasurer/Collector, Deputy Town Administrator, and the department heads who manage special revenue funds will internally reconcile their accounting records and then reconcile them with the Town Accountant at the periodic intervals outlined in this policy.

On a monthly basis, the Treasurer/Collector and department heads who manage special revenue funds will internally reconcile their respective accounting records and subsequently reconcile them with the Town Accountant.

A. Cashbook Reconciliation

To ensure an accurate accounting of all revenue activity, the Treasurer/Collector will maintain a cashbook that reflects up-to-date and accurate information for all cash and assets. To do so, the Treasurer/Collector will make certain that every cash receipt, disbursement, transfer, and interest accrual is recorded in the cashbook within two business days of each transaction. The Treasurer/Collector will reconcile cashbook accounts to their corresponding bank accounts weekly and finalize the monthly reconciliation within five days of month-end. Bank accounts will include zero-balance vendor and payroll, 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 provide read-only access to the Excel cashbook to the Town Accountant and, when necessary, forward an additional receipt report or 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 liability accounts. Although payments for withholdings and deductions are automatically issued through Harpers Payroll Services

via electronic funds transfer or check, Deputy Town Administrator must verify and reconcile all withholdings to the actual disbursements.

The Deputy Town Administrator 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 withholdings, the Deputy Town Administrator will conduct monthly reconciliations of those deductions and identify any discrepancies prior to remitting invoices for payment. The Deputy Town Administrator 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, wastewater 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 if applicable, and verify the detail balance agrees with the receivable control.

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

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

- Verifying the various transactions (commitments, abatements, refunds, chargebacks) against their supporting documents
- Comparing the total amount of posted payments to the turnovers accepted by the Treasurer/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. Fire District Taxes

The Treasurer/Collector maintains separate accounting for the assessments collected on behalf of the two fire and water districts. After the Treasurer/Collector reconciles tax payments outlined above, the district tax collections and detailed reports are turned over weekly to the respective fire district. Each district maintains its own receivable detail and control.

E. Special Revenue Reconciliation

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

F. 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'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.

G. Time frames and Documentation

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

Each general ledger reconciliation will be documented 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.

REFERENCES

South Hadley Revenue Turnover policy

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

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

EFFECTIVE DATE

This policy was adopted on [date].

REVENUE TURNOVER

PURPOSE

To safeguard Town assets and maximize cash flow, this policy provides guidelines for departments to turn over receipts to the Treasurer/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 applies to the Treasurer/Collector, as the Town's cash manager, as well as to all 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. It 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.

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. All employees who handle the receipt of money must be trained in this policy by a representative of the Accounting and Treasurer/Collector's offices. The Town Administrator will ensure that surety bonds are maintained for all individuals responsible for handling payments to indemnify the Town from potential loss or theft. Each department will turn over at least weekly and must do so by the end of the day when receipts total \$200 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.

A. Receiving Payments

Using prenumbered receipt books, assigned departmental staff must issue a receipt for every payment received, even when the payer attempts to refuse it. These departmental staff must identify the forms of payment (check, cash, or credit card) in their receipt books. As the exception, employees in the Treasurer/Collector's office receiving taxes and other collections from the public need only issue receipts for cash payments. Every staff person who receives 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 cash box 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 triplicate Schedule of Departmental Payments to the Treasurer/Collector form (i.e., the turnover form) and obtain the department head's signature on it. 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 and at no time may leave any unattended turnovers in the Treasurer/Collector's office or elsewhere in Town Hall.

No less than weekly and at month-end, the Treasurer/Collector will complete an internal turnover of all collections processed during that period for taxes and other committed receivables. This shall consist of a turnover report listing of all 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 back two copies of the turnover form signed and dated by a Treasurer/Collector staff member. The department employee will retain one turnover copy on file and is responsible for delivering the other to the Town Accountant. The Town Accountant will refuse to accept any turnover that is not signed by a Treasurer/Collector staff member.

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 and in the presence of the employee doing the turnover. Any inaccuracies on the turnover forms will be corrected on them at that time and initialed by both parties. The Treasurer/Collector staff member will then sign the turnover copies and return two of them to the departmental employee.

Within 24 hours of receiving the turnover, Treasurer/Collector staff will record the receipts in the Excel cashbook. At the close of business each day, the Treasurer/Collector will review the Excel activity, turnover documents, and receipts, and deposit the checks using a remote scanner. The Treasurer/Collector will take cash to the bank for deposit, which will take place no less than weekly. 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.

After the Treasurer/Collector has completed the monthly cashbook reconciliation, the Town Accountant will print a copy of the edit-password-protected Excel cashbook. The Town Accountant will compare the turnovers received from departments with the Excel cashbook printout and contact the Treasurer/Collector or appropriate departmental employee about any discrepancies. The Town Accountant will then enter 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 make a reversal entry in the cashbook receipts and assigning it to the appropriate bank account. The Treasurer/Collector will notify the department responsible for the turnover and the Town Accountant.

The department responsible will notify the issuer in writing of the bounced check or rejected EFT. Payment of the original amount plus a \$25.00 penalty is due in five days and must be in the form of cash, money order, or certified check. Failing to comply, the Treasurer/Collector will send a second notification due in two days and advise that if not paid notice will be sent to the Hampshire County District Court.

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 read-only access to the Excel cashbook to the Town Accountant monthly.

F. Audit

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

REFERENCES

[M.G.L. c. 41, §§ 35](#), and [57](#)

[M.G.L. c. 44, § 69](#)

[M.G.L. c. 60, § 57A](#)

South Hadley Reconciliations policy

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

EFFECTIVE DATE

This policy was adopted on [date].

TAILINGS

This policy is subject to town meetings acceptance of [M.G.L. c. 200A, § 9A](#).

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

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 *Town Reminder* community newspaper. 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 *Town Reminder* 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 South Hadley's independent auditor.

REFERENCES

[M.G.L. c. 200A, § 9A](#)

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 South Hadley real estate property owners whose Town or district taxes, solid waste, wastewater, electric, and 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 minimum collection rate target of 98 percent by fiscal year-end. A tax delinquency is defined as a bill outstanding at least one year and one day after its final due date, and it represents a lien on property that remains in effect until all taxes, interest, and fees have been paid in full. The costs of all collection methods are added to the real estate tax bill and property lien. The Town will also periodically pursue foreclosure actions with the primary objective of receiving all monies due. Taxpayers are responsible for notifying the Town in writing of any mailing address changes.

A. Demands

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

B. District Tax and Utility Liens

Outstanding fire district taxes and water charges as well as light department charges may be added to the property tax bill for collection purposes. Because both districts accepted M.G.L. c. 40, §§42A-42F and the light board accepted M.G.L. c. 164, §§ 58B-58E, each District Manager and the Light General Manager may certify the respective unpaid taxes and charges to the Assessors. These unpaid amounts are then added to, and become part of, the real estate taxes.

C. Tax Taking

State law allows the tax taking process to begin as soon as 15 days after the demand, but, in every case, the Treasurer/Collector must complete the takings within 3½ years from the end of the fiscal

year for which the taxes were assessed to secure, or perfect, the tax liens. The Treasurer/Collector will work with delinquent taxpayers to delay the tax taking process as long as the taxpayer is making scheduled payments of at least 10% of the outstanding tax.

The Treasurer/Collector will establish an annual tax taking schedule for all delinquent taxpayers who have failed to respond to the demand notices or meet their partial payment requirements. The Treasurer/Collector will send at least one enforcement letter to delinquent property owners as a courtesy to potentially avoid a tax taking advertisement. If this does not result in full remittance by September 1, the Treasurer/Collector will publish a Notice of Tax Taking in a local newspaper and post the notice in two or more convenient, public places. The Treasurer/Collector customarily publishes notices in the *Town Reminder* and posts them on bulletin boards at Town Hall and the library. From this point forward only cash, certified check, or cashier's check are acceptable forms of payment.

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

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

D. 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.

E. 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.

F. 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.

G. 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 and notification and payment history. The tax title attorney will research the tax title properties and mail new collection enforcement letters to the taxpayers informing them of the importance of redeeming the property and warning of potential foreclosure action.

Prior to the property being foreclosed, 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 to remove the lien. If the obligation remains unpaid, the tax title attorney will proceed with foreclosure action in Land Court, possibly resulting in auctioning of the property.

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

REFERENCES

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

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

[M.G.L. c. 164, §§58B, 58C, 58D, 58E](#)

South Hadley bylaw Chapter 166 Licenses and Permits.

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].

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 year-end 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 Selectboard and Appropriations 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. This additionally requires the Town Administrator to ensure that the Town Accountant and Treasurer/Collector comply with the Reconciliations policy throughout the year to enable year-end cash and receivable balances to be reconciled with the general ledger no later than July 30.

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 in this policy.

By June 1, the Town Accountant will transmit year-end instructions to department heads and provide them with the following submission deadlines:

- A. Requests for encumbrances by June 15
- B. All available invoices by June 30
- C. Status reports on the balances of grants, other special appropriations and special revenue accounts by July 15
- D. Status reports or updates on capital projects, capital assets, and borrowings by August 15

All facets of the year-end closing will be accomplished no later than September 30.

A. Year-end Encumbrances

With proper documentation, the Town Accountant will encumber funds that have been committed to specific purchases (by purchase orders), services (by service agreements), or projects (by contracts) as of June 30.

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

By May 15, the Town Accountant will distribute management reports of all grant, special appropriation, and special revenue accounts to the responsible department heads to solicit status updates on 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.

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 Selectboard and Appropriations 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 Appropriations Committee's meeting agenda, followed by the Selectboard'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 | October 1 |
| ▪ Community preservation surcharge report (CP-1)
(with the Principal Assessor) | October 1 |
| ▪ Combined balance sheet and supporting documents | October 1 |
| ▪ Community preservation fund report (CP-2) | October 31 |
| ▪ Schedule A | October 31 |

Town Accountant and Treasurer/Collector:

- | | |
|----------------------------------------------|-----------|
| ▪ Statement of indebtedness | October 1 |
| ▪ Treasurer/Collector's year-end cash report | October 1 |
| ▪ Cash reconciliation | October 1 |
| ▪ Schedule of outstanding receivables | October 1 |

REFERENCES

[M.G.L. c. 44, § 33B](#)

[M.G.L. c. 64, § 64](#)

[M.G.L. c. 59, § 5](#)

South Hadley policies on Tax Enforcement, Grants Management, and Reconciliations

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

DLS [Municipal Calendar](#)

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

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

EFFECTIVE DATE

The policy was adopted on [date].

APPENDIX

POLICY LOG

Policy	Adopted	Last Reviewed	Amended
Annual Budget Cycle			
Antifraud			
Capital Planning			
Credit Card Usage			
Debt Management			
Disbursements			
Employee Reimbursement			
Financial Reserves			
Forecasting			
Grants Management			
Indirect Cost Allocation			
Investments			
One-Time Revenues			
OPEB Liability			
Procurement Conflict of Interest			
Purchasing			
Reconciliations			
Revenue Turnover			
Tailings			
Tax Enforcement			
Year-end Closing			

BUDGET CYCLE CALENDAR

Abbreviations Defined

SB = Selectboard

A = Assessors

C = Clerk

AC = Appropriations Committee

FD = Finance Director/Accountant

CPC = Capital Planning Committee

TA = Town Administrator

TC = Treasurer Collector

SC = School Committee

Month	Due by	Responsibility	Description
July	1	FD	Begin closing prior year books
	15	SB/AC	Make end-of-year budget transfers
August	15	TA/FD	Review prior year closing, plan for prior year deficits, and review current budget
	31	FD	Complete prior year closing
September	30	FD	Update capital planning inventory schedules (facilities, fleet, and equipment)
October	1	TA	Update calendar for budget/capital plan deliverables for coming year
	1	FD	Submit balance sheet and other reports for free cash certification
	10	TA	Notify stakeholders of certified Free Cash
	15	SB	Set reserve and capital expenditure goals for the new year
	25	Multiple	Budget kickoff meeting (SB to establish guidelines for the new year)
	25	TA	Issue initial revenue projections to stakeholders
	25	TA/FD	Prepare budget worksheets and standard forms for new fiscal year
	31	TA/FD	Distribute worksheets and memo outlining instructions and guidelines for coming year
	31	TA/FD	Distribute memo, worksheets, inventory schedules, and current multiyear plan
November	1	A	Submit new growth, amended tax base levy growth, and final valuations reports to DLS
		SB	Post warrant and meeting notification (15 days before meeting)
	5	CPC	Vote on recommendations and final capital plan
		SB	Hold Special Town Meeting, if needed
December	20	TA	Meet with regional and collaborative member communities on budgetary planning matters

Month	Due by	Responsibility	Description
January	5	Depts.	Submit budget and capital requests to TA
	10	TA/FD	Compile budget requests
	10	TA/FD	Submit preliminary capital requests to CPC
	31	TA	Meet with department heads, boards, and committees to review budget requests
	31	TA	Issue updated revenue projections to stakeholders
February	20	TA	Present draft budget and capital recommendations to SB, AC, and CPC
	28	SB	Request Board of Assessors to declare overlay surplus
March		TA	Present budget/warrant article update during SB biweekly meetings
	10	SC	Hold budget hearing and vote on request
April		TA	Distribute final budget and draft warrant to SB and AC for article recommendations and votes
	2 nd Tues.		Annual town election
		SB	Approve and post warrant and meeting notification (15 days before meeting)
		CPC	Vote on warrant recommendations
		AC	Hold budget hearing and vote on budget and warrant article recommendations
	30	TA	Present final briefing on budget and warrant articles
May	2 nd Wedn.		Annual Town Meeting
	15	FD	Distribute grant, special appropriation, and special revenue reports for review
	31	Depts.	Provide status updates on grant, special appropriation, and special revenue accounts in writing and resolutions to any in deficit
	31	C	Notify DLS of local option acceptances and loan authorizations
June	1	FD	Transmit year-end instructions to department heads
	1	C	Record legislative body action and transmit to FD
	1	FD	Enter new budget appropriations into financial software

CREDIT CARD PURCHASE AUTHORIZATION FORM

Date: _____

Employee Name	Requester
Department Name	Department or Committee Name
Purpose of Expenditure	Purpose of Expenditure
Purchase Amount	Purchase Amount
Budget Account Name	Budget Account Name
Account Number	Account Number
Website Address	Website Address
Item Description, including product #, color and quantity	Description
Attached documentation	<input type="checkbox"/>

Requester: _____ Date: _____
Signature

Department Head: _____ Date: _____
Signature

Town Accountant: _____ Date: _____
Signature

Deputy Town Administrator: _____ Date: _____
Signature