

TOWN OF SOUTHBOROUGH

FINANCIAL POLICY MANUAL

JULY 2024



DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

INTRODUCTION

At the select board's request, the Division of Local Services (DLS) Financial Management Resource Bureau (FMRB) has created a financial policy manual for the Town of Southborough. While developing this manual, the FMRB team also concurrently conducted a broader-scoped financial management review for the town, the report for which we are providing under separate cover.

The policy topics in the first part of the manual are concerned with financial planning and in the second part with day-to-day financial operations. The provisions in the policy drafts are based on best practice guidance tailored to the town's structure, goals, and financial conditions identified during the course of the two projects. The manual has been provided as a Word document so that town officials can easily revise the policies as desired prior to formal adoption. We also recommend that the town conduct reviews of the policies every few years to revise or otherwise expand upon them as changing circumstances warrant and also to adopt new policy topics.

In Southborough, the treasurer/collector has the dual title of finance director, although the town does not have a consolidated finance department; the finance director-treasurer/collector only supervises the treasurer/collector office. In the manual, we have used "finance director" when the applicable duties of the given role relate to budget analysis, advising, and/or development. We have used "treasurer/collector" when the duties have direct correlations to the statutory duties of treasurers or collectors. Besides textual brevity, we did this because the use of "treasurer/collector" helps to highlight the statutory bases of certain functions. Furthermore, if the town decides to adopt a bylaw to create a consolidated finance department, we recommend that it be written so as to give the town the greatest flexibility for future hirings or reorganizations. Specifically, we suggest the bylaw state that the finance director could be a standalone position or combined with one of the other financial manager roles: treasurer/collector, town accountant, or principal assessor.

As a default, all of the policies have a prominent box to fill in the date when the policy was "Adopted by the Select Board." The town might want to consider joint adoption of certain policies, such as the select board jointly adopting the Annual Budget Process policy with the advisory committee and capital improvement and planning committee. Also note that certain policies contain references to current town vendors, such as VADAR and Comstar, and those policies should be revised any time that the town changes vendors.

Please also note the following related to specific policies:

- **Capital Planning, Debt Management, Financial Reserves, and Reconciliations:** For quick reference purposes, each of these policies begins with a table that summarizes budget targets and/or primary procedural details. In each case, this information is repeated and explained further within the policy's narrative section. When finalizing any revisions to these policies, the pertinent local officials must be careful to make sure that corresponding updates are done in both policy sections to avoid any possible confusion.
- **Revenue Turnover:** This policy has been written in anticipation of the town implementing the usage of VADAR's treasurer's receipts module.
- **Tailings:** To enable the treasurer/collector's office to expedite the resolution of unclaimed checks in the manner laid out in the policy, town meeting must accept M.G.L. c. 200A, § 9A.

TOWN OF SOUTHBOROUGH

FINANCIAL POLICIES MANUAL



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**FINANCIAL PLANNING
POLICIES**

ANNUAL BUDGET PROCESS

Applies to:	<ul style="list-style-type: none">▪ Town Administrator, Select Board, Advisory Committee, and Capital Improvement and Planning Committee in budget decision making▪ Finance Director, Town Accountant, and Board of Assessors job duties▪ All department heads and the boards and committees that have spending authority (all referred to here as “department heads”) in their budget planning duties
Scope:	Coordination, development, and adoption processes for the annual omnibus budget, encompassing the operating, enterprise fund, and capital budgets
Date:	Adopted by the Select Board on [Date]

PURPOSE

To promote transparency, procedural consistency, and fiscal sustainability, this policy establishes guidelines for developing and adopting the Town’s annual budget. As the Town’s central policy document, the budget prioritizes annual and longer-range objectives and is the means for turning strategic plans into fiscal reality. It constitutes a contract between the Town and its residents, explaining how funds are to be raised and allocated for the delivery of services.

POLICY

Town officials will work together to prepare a balanced budget for the approval of voters at the annual town meeting. 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 the sole authority to appropriate funds for the budget, except for specific instances where appropriation is not required by statute (such as grants, gifts, and offset receipts). Further, only a subsequent annual or special town meeting vote can amend any previously approved appropriation.

Under the direction of the Town Administrator, the Finance Director is responsible for developing the annual budget and will do so according to the vision, goals, and strategic plans laid out by the Select Board. The Finance Director will cultivate a strong, communicative relationship with the Southborough School Committee to ensure early knowledge of its expenditure projections and smoothly integrate its budget. To create the omnibus annual budget also requires the Finance Director to coordinate with the Capital Improvement and Planning Committee according to provisions set out in the Capital Planning policy. As the advisor for the interests of town meeting voters, the Advisory Committee will make recommendations on all articles to be included in the annual town meeting warrant. It is the goal of all these parties to work in a cooperative manner to present voters with a consensus budget.

Because of the substantial budget appropriations that arise from obligations to certain regional shared service partners, most prominently, the Northborough-Southborough Regional School District, but also vocational school districts, the Finance Director will endeavor to stay timely apprised of their annual budget projections.

All parties applicable under this policy are expected to comply with the annual budget calendar’s milestone deadlines when they are set each year. As part of this, department heads will timely provide the Finance Director with all information needed for the creation of an informative budget document, which will be made available to voters at least seven days prior to the date of town meeting.

A. Budget Goals

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

General Fund – The goals for the general fund budget include preserving core services, fulfilling required mandates, and maintaining or enhancing the local quality of life, while also ensuring reserve levels that will allow flexibility to respond to changes in the economy and other unanticipated issues that could potentially affect the Town's fiscal health.

Capital Investment — To pay for items in the capital plan, the town will strive to achieve and maintain the annual capital funding levels spelled out in the Capital Planning and Debt Management policies. Additionally, the Town will plan to regularly fund, within departmental operating budgets, the maintenance costs for equipment, facilities, infrastructure, and other capital assets to maximize their useful lifespans.

Water Enterprise Fund - The Finance Director will seek to ensure that the water enterprise fund budget remains self-supporting. In other words, the goal is to avoid or minimize any subsidy from the general fund by raising the revenue necessary to support all the direct, indirect, and capital-related costs to run the water operation through user fees only.

B. Principles for Balanced, Sustainable Budgets

The Finance Director will prepare an annual budget proposal for the approvals of the Town Administrator, Select Board, and Advisory Committee and eventual inclusion in the annual town meeting warrant.

Assuring the creation of a budget that is structurally balanced and sustainable for future years requires the Town to support the recurring expenditures of each annual operating budget using only recurring, or current, revenues. Current revenues are those revenues that the Town brings in during the budgeted fiscal year (e.g., taxes, excises, fees, charges, interest earnings, state aid), and they do not include free cash.

Through gradual, year-to-year reductions, the Finance Director will work to decrease and eventually eliminate the Town's longstanding reliance on free cash to balance the budget. Once this effort is successful, 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 Finance Director to document a plan to replace that source in future years.

Additional principles that shall govern the creation of the annual budget include:

1. All departmental budgets will be prepared to reflect the full costs of providing the services and list the proposed and prior-year actual allocations of full-time-equivalent employees.
2. The Town will not underfund any fixed, recurring costs in the annual operating budget with the expectation that budget supplements will be available during the year but will instead fund them at the realistic amount necessary to complete the year.
3. Each officer, elected board, committee, and department authorized to charge a fee for service will review the fee schedules at minimum every three years and propose increases when necessary to ensure coverage of service costs.

4. The Town Administrator and Finance Director will evaluate all contractual obligations, requests, and strategic priorities to determine annual non-collectively-bargained pay increases.
5. When a forecast predicts annual revenues to exceed annual expenditures, the following options should be considered for the excess revenue:
 - Building up reserve fund target levels
 - Advancing deferred capital expenditures
 - Funding the other postemployment benefits liability
 - Accelerating payments on other long-term obligations
 - Restoring services reduced from prior years
 - Funding new initiatives
 - Exploring tax relief
6. The Board of Assessors will vote to authorize a contribution to the overlay account to offset the Town's liability for unpaid property taxes caused by abatements and exemptions. This amount shall be based on:
 - Current balance in the overlay account
 - Three-year average of granted abatements and exemptions
 - Cases pending before, or on appeal from, the Appellate Tax Board
 - Timing of the next five-year certification review by the Division of Local Services

C. Budget Calendar

The annual budget process begins in October each year with the Finance Director's forecast presentation to a joint meeting of the Select Board and Advisory Committee and ends with the annual town meeting in March. At the start of the process each year, the Finance Director will coordinate a budget process that enables early identification and review of major policy issues and allows adequate time for public input and analysis of options, leading to the timely publication of the annual town meeting warrant. The Finance Director will publish a budget calendar listing the specific due dates for all process milestones, submit it for the approvals of the Town Administrator, Select Board and Advisory Committee, and distribute the approved calendar to all the parties subject to this policy.

D. Budget Document and Presentation

The Town Administrator and Finance Director will work together to prepare and present a transparent and reader-friendly budget document that presents all proposed expenditures for current operations and capital projects during the ensuing year, detailed by department, purpose, and project. It will contain a budget message that includes a five-year revenue and expenditure forecast of the Town's fiscal and financial needs. The outlook will include economic trends that will affect the Towns, as well as anticipated major capital investments. The budget message will also highlight important features of the budget, explain any major variations in current year revenue, expenditures, or policies, and summarize the town's debt position.

The model for the budget document will be based on standards established by the Government Finance Officers Association (GFOA) in its [Distinguished Budget Presentation](#) program. It will incorporate narrative information on Town departmental and organizational goals, the plans and resource allocations needed to meet those goals, graphical information about available finances, and summary of the Town's five-year capital plan.

SOUTHBOROUGH REFERENCES

Bylaws:

- Chapter 9, Article III: [Advisory Committee](#)
- Chapter 27, Article IX: Town Administrator, § 27-26 [Powers and Duties](#)
- Chapter 41, Article I Miscellaneous Provisions, § 41-1: [Date and Location of Annual Town Meeting](#)

Policies: Capital Planning, Debt Management, Financial Reserves, Forecasting, Indirect Cost Allocation, OPEB Liability, Special Purpose Appropriations

EXTERNAL REFERENCES

[M.G.L. c. 39, § 10](#)

[M.G.L. c. 44, § 32](#)

[M.G.L. c. 59, § 25](#)

[M.G.L. c. 39, § 16](#)

[M.G.L. c. 44, § 33A](#)

[M.G.L. c. 59, § 21C](#)

[M.G.L. c. 40 § 6](#)

[M.G.L. c. 44, § 33B](#)

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

[M.G.L. c. 41, § 15A](#)

[M.G.L. c. 44 § 53F½](#)

[M.G.L. c. 71, §§ 16B](#)

[M.G.L. c. 41, § 59](#)

[M.G.L. c. 58, § 25](#)

[M.G.L. c. 71, §§ 16B½](#)

[M.G.L. c. 41, § 60](#)

[M.G.L. c. 58, § 25A](#)

Division of Local Services (DLS) Informational Guideline Release 17-23: [Overlay and Overlay Surplus](#)

DLS Best Practice: [Annual Budget Process in Towns](#)

Government Finance Officers Association Best Practices: [Achieving a Structurally Balanced Budget](#), [Working Capital Targets for Enterprise Funds](#), and [Distinguished Budget Presentation Criteria](#)

CAPITAL PLANNING	
Applies to:	<ul style="list-style-type: none"> ▪ Town Administrator and Finance Director when developing the annual capital budget proposal ▪ Finance Director in maintaining and updating a capital asset inventory ▪ Capital Improvement and Planning Committee in prioritizing capital project requests from departments and updating the capital improvement plan ▪ All department heads in planning for and requesting capital projects
Scope:	<ul style="list-style-type: none"> ▪ All current and proposed capital projects for assets owned by the Town ▪ Included are projects for which the Town may seek Community Preservation Act (CPA) financing. However, this policy does not govern the procedures and decision making of the CPA Committee, which has sole budget-making authority for CPA funds.
Date:	Adopted by the Select Board on [Date]

PURPOSE

To assure the Town can cost-effectively acquire, expand, or enhance the capital assets necessary to achieve its service provision goals, this policy outlines guidance for planning, reviewing, and coordinating capital improvements.

POLICY SUMMARY

Capital Process Component	Policy Guidance
Capital project definition	<ul style="list-style-type: none"> ▪ Costs \$20,000 or more, <u>and</u> ▪ Has (or extends) useful life of five years
Multiyear capital improvement plan (CIP)	<ul style="list-style-type: none"> ▪ First year is the capital budget proposed for the next fiscal year ▪ Nine subsequent years of capital project projections ▪ Updated and maintained by the Capital Improvement and Planning Committee
Annual capital budget	<ul style="list-style-type: none"> ▪ Derived from the CIP and developed by the Finance Director under the Town Administrator’s direction
Capital Financing	Policy Guidance
Funding targets	<ul style="list-style-type: none"> ▪ Overall annual capital spending: 4-7% of the general fund budget <ul style="list-style-type: none"> ○ Non-debt, “cash capital” spending: 2-3% of GF budget ○ Within-levy debt service: 2-4% of GF budget
Cash capital funding sources	Levy, free cash, general stabilization fund, capital SF, overlay surplus, Community Preservation Fund, revolving funds, certain receipts reserved funds, grants
Debt usage	<ul style="list-style-type: none"> ▪ Short-term debt: Useful life < 10 years ▪ Long-term debt: Useful life > 10 years and cost > \$100,000 ▪ Town will pursue a capital or debt exclusion for any project costing \$5M or more

POLICY TEXT

To acquire or extend the useful life of the equipment and infrastructure needed to achieve the highest possible levels of public services and quality of life affordable with available financial resources, the Town will maintain an annually updated, 10-year capital improvement plan (CIP). Apart from the CIP, the Town will protect the value and service capacity of its capital assets by providing consistent

funding in annual operating budgets for the maintenance expenditures necessary to realize their useful lifespans.

The Finance Director is responsible for developing the Town's annual capital budget, which will derive from the multiyear CIP. Responsibility for adding to, maintaining, and updating the CIP resides with the Capital Improvement and Planning Committee (CIPC). The CIPC's membership consists of seven residents appointed by the Select Board, as well as the Town Administrator and Finance Director as ex officio, nonvoting members.¹

A. Definition of a Capital Improvement

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

- Real property acquisitions, construction, and long-life capital equipment
- Major renovations of existing capital items that extend their useful lifespans, as distinguished from normal operating expenditures
- Major improvements to physical infrastructure, such as streets and stormwater drains
- Planning, feasibility studies, and designs for potential capital projects, such as new buildings or major additions to existing buildings, which would include equipment needs to furnish such building or addition
- Items obtained under a long-term capital lease of five years or greater
- Equipment acquisition, replacement, or refurbishment, including but not limited to vehicles, furnishings, technology hardware and software, or other items that, when combined together make it a capital project
- 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 \$20,000

B. Capital Asset Inventory

To support a systematic acquisition and replacement schedule, the Finance Director will catalog, annually update, and share with the CIPC a detailed inventory of all capital assets. The inventory 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. Submitting and Evaluating Capital Project Proposals

In August each year, the Finance Director will solicit capital project requests from department heads. Department heads will then assess their current and prior capital projects and requests and, in September, submit recommendations to add, withdraw, and/or adjust the projected costs of capital projects based on anticipated needs over the next 10 years. The Finance Director will assemble the responses for the CIPC's review.

¹ With the Select Board's approval the Town Administrator and Finance Director may recommend that the Town Accountant or Principal Assessor serve in their place.

When evaluating and deciding on project proposals, the CIPC will prioritize them using the criteria below:

- Poses imminent threat to the health and safety of people or property
- Preserves operations
- Legally required by Federal or State agencies
- Improves infrastructure
- Improves efficiency or effectiveness in service delivery
- Alleviates an overburdened situation (e.g., insufficient instructional space in a school building)
- Supports a community plan (e.g., Master Plan, Open Space, Recreation Plan)
- Results in lower energy consumption
- Results in lower operational or maintenance costs
- Continues the phased funding for a project included in a prior year's budget
- Scheduled replacement (e.g., motor vehicles, roofs, computers)

The CIPC will also take the following into consideration:

- Relationship of project submittal to financial and governing policies, plans, and studies
- Input from major stakeholders and the general public
- Operating budget impacts resulting from capital projects
- Analytical evaluations of potential projects (e.g., net present value, payback period, cost-benefit analysis, lifecycle costing, cash flow modeling)

D. Multiyear Capital Improvement Plan

The CIPC will annually update a 10-year CIP. Incorporated in it shall be the proposed capital budget for the forthcoming fiscal year, as finalized by the Town Administrator and Finance Director, as well as nine-year projections of capital needs and expenditures. It shall detail the projects' estimated costs, descriptions, and anticipated funding sources. During the annual budget season, the CIPC will present the updated CIP and recommendations to the Select Board and Advisory Committee.

The Finance Director and Town Administrator will consider the CIPC's recommendations when finalizing the capital budget for the forthcoming fiscal year. The CIPC shall provide a recommendation on any capital article to appear on the warrant for any annual or special town meeting.

E. Capital Financing

Annually, the Town will strive to maintain 1 - 3% of the general fund operating budget, net of debt, on capital investment. Appropriate sources for cash capital funding include the tax levy, free cash, general stabilization fund, capital stabilization fund, overlay surplus, Community Preservation Fund, and revolving funds, as well as certain receipts reserved funds and grants. This cash capital funding target is a complement to the debt service maintenance goal defined in the Debt Management policy.

- Short-term debt may be used to fully finance purchases with useful lifespans under 10 years.
- In accordance with the Debt Management policy, the Town will restrict long-term debt funding to projects with lifespans greater than 10 years and costs exceeding \$100,000.

- Before any long-term, bonded capital project is recommended, the project’s annual operating costs and debt service costs shall be identified.
- If material, one-time Town revenues are recognized, the CIPC should consider recommending these be reserved for purposed for capital funding.
- Special revenue sources (e.g., grants, revolving funds) shall be evaluated as funding options whenever practical.
- Community Preservation funds should be pursued for eligible projects.
- 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 Water Division shall be financed from user fees.
- Any major capital project with a cost exceeding \$5,000,000 should be funded through capital or debt exclusions.

Other capital financing considerations include:

- Scope and timing of projects
- Estimates of all major components required to implement a project, such as land acquisition, design, construction, contingency, and post-construction costs
- Identification of the most appropriate approaches, including outside assistance, when estimating project costs and potential revenues
- Adjustments of cost projections based on anticipated inflation
- Recognition of a project’s nonfinancial (e.g., environmental) impacts on the community

SOUTHBOROUGH REFERENCES

Bylaws:

- Chapter 27, Article IX Town Administrator, § [27-26 Powers and Duties](#)
- Chapter 9, Article XI [Capital Improvement and Planning Committee](#)

Policies: Annual Budget Process, Debt Management, Financial Reserves, Forecasting, Special Purpose Appropriations

EXTERNAL REFERENCES

[M.G.L. c. 39, § 10](#) [M.G.L. c. 41, § 106B](#)

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

DLS Guidance: [Capital Improvement Planning Manual](#) and [Capital Improvement Planning Guide](#)

Government Finance Officers Association Best Practice: [Strategies for Establishing Capital Asset Renewal and Replacement Reserve Policies](#)

DEBT MANAGEMENT	
Applies to:	<ul style="list-style-type: none"> ▪ Town Administrator, Select Board, Advisory Committee, and Capital Improvement and Planning Committee in their budget assessment and decision making ▪ Finance Director-Treasurer/Collector’s budget development and debt-related job duties
Scope:	All short- and long-term debt obligations permitted to be issued under state law, including general obligation bonds, revenue bonds, bond anticipation notes (BANs), revenue anticipation notes (RANs), grant anticipation notes (GANs), and lease/purchase agreements
Date:	Adopted by the Select Board on [Date]

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 costs, 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.

POLICY SUMMARY

Long-term debt criteria	Nonrecurring purposes with cost of \$100,000+ and useful life 10+ years
Debt service targets	<ul style="list-style-type: none"> ▪ Total annual debt service limit: 10% of general fund budget ▪ Maintain net debt service between 2-4% of general fund budget
Debt Structure	<ul style="list-style-type: none"> ▪ Retire at least 50% of the principal within 10 years ▪ Limit bond maturities to 10 years, except for major buildings, land, and other purposes detailed in the DLS guidelines for useful life borrowing limits

POLICY TEXT

Under the requirements of federal and state laws, the Town may periodically issue debt obligations to finance the construction, reconstruction, or acquisition of infrastructure and other assets or to meet short-term cash flow needs. The Town may also refinance existing debt. For any given, highly expensive capital project, a debt issuance may present the most appropriate financing strategy. Not only does it provide funds not otherwise available upfront, but the amortizing of the debt over multiple years equitably distributes the project’s cost among the taxpayers, who may settle in or move out of Town over time.

The Town will issue and manage debt obligations so as to obtain the best long-term financial advantage and will limit the amount of debt to minimize the impact on taxpayers. The Town will not issue debt obligations to construct, reconstruct, or purchase capital assets that can be acquired with current revenues.

The Town may issue short-term debt (by BAN, RAN or GAN) when needed to fund immediate cash requirements, as bridge financing in advance of receiving the anticipated funding. Short-term debt also makes sense when it allows the Town to take advantage of a lower interest rate, when savings are to be had from aggregating issuances, or when market conditions are such that postponing the issuance of long-term debt for the greater portion of a project’s cost may be a prudent option.

A. Debt Financing

In financing with debt, the Town will:

1. Issue long-term debt only for purposes that are authorized by state law and qualify for tax-exempt bonds and only when the financing sources have been clearly identified.
2. Use available funds to the greatest extent possible to reduce the amount of borrowing on all debt-financed projects.
3. Confine long-term borrowing to capital projects that cost at least \$100,000 and have 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, betterments, or other types of self-supporting bonds instead of issuing general obligation bonds whenever possible.
6. Retire any debt obtained through a BAN no later than six months after the date that its associated capital project is completed. If there is a financial advantage to deferring the issuance of permanent debt, the Town will make annual reductions to the outstanding principal as if the permanent debt had been issued. This will prevent the Town from carrying any BAN beyond the period in which it is necessary, reduce the interest rate risk the Town will face, and help ensure the timely close out of capital projects.

B. Debt Limits

The Town will adhere to these debt parameters:

1. Total annual debt service, including any debt exclusions and any self-supporting debt, shall be limited to 10 percent (10%) of the general fund budget.
2. To help assure consistent capital investment and debt-funding capacity, annual within-levy debt service (net of debt exclusions and any self-supporting debt) shall be maintained at two to four percent (2 -4%) of the general fund budget. Pursuant to this goal, the Town will seek to replace maturing, non-excluded debt obligations with new issuances. If the Town does not replace the rolled-off debt service with a new issuance(s), the amount of the service on the matured debt should be appropriated to the capital stabilization fund² annually until a new issuance with an equivalent amount of debt service occurs.
3. As dictated by M.G.L. c. 44, § 10, the Town's debt limit shall be five percent of its most recent equalized valuation.³

C. Structure and Term of Debt

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

² See Financial Reserves policy with its recommendation to establish this fund. If the Town does not establish a capital stabilization fund, this provision should be revised to insert the general stabilization fund in its place.

³ Under the General Laws, this debt limit may be exceeded for: (1) projects to construct, reconstruct, equip, or furnish a school facility if the Town voted to exclude the debt from the limits of Proposition 2½ and will not receive any financial assistance from the Massachusetts School Building Authority or (2) issuances that meet criteria laid out in the 24 exceptions listed under [M.G.L. c. 44, § 8](#).

1. The Town will attempt to maintain a long-term debt schedule such that at least 50 percent (50%) of outstanding principal will be paid within 10 years.
2. The term of any debt shall not exceed the expected useful life of the capital asset being financed and in no case shall it exceed the maximum allowed by law.
3. The Town will limit bond maturities to no more than 10 years, except for major buildings, land acquisitions, and other purposes in accordance with the useful life borrowing limit guidelines published by the Division of Local Services (DLS).
4. Any vote to authorize borrowing will include authorization to reduce the amount of the borrowing by the amount of the net premium and accrued interest.
5. For new long-term debt, the Town will pursue net direct debt service schedules with annual principal and interest payments (net of any reimbursements or dedicated revenue sources) that are sustainable using recurring revenues.
6. The Treasurer/Collector will work closely with the Town's 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. Disposition of Surplus Bond Proceeds

Whenever a completed or discontinued project has a surplus balance from bond proceeds, the Treasurer/Collector will make a report of the information to the Town Administrator. The Town Administrator will review the report and make a recommendation to the Select Board on how the money should be repurposed based on the following options allowed under M.G.L. c. 44, § 20:

- For a completed project with a balance less than \$50,000, the Select Board will vote to apply it to any existing debt service obligation.
- For a completed project with a balance of \$50,000 or greater, town meeting will be presented with an article to appropriate the balance for another purpose.
- For a project that was discontinued regardless of the surplus amount, town meeting will be presented with an article to abandon the project, by a two-thirds vote, and to appropriate the balance for a new purpose.

In the latter two circumstances above, the expenditure being offset by the surplus must have a purpose for which the Town may authorize a loan for an equal or longer period of time than that for which the original loan was issued.

F. 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.

G. Reporting

1. The Finance Director-Treasurer/Collector will report to the Town Administrator and Select Board on the Town's debt status annually.
2. The Finance Director-Treasurer/Collector, 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.

SOUTHBOROUGH REFERENCES

Policies: Annual Budget Process, Capital Planning, Forecasting

EXTERNAL REFERENCES

[M.G.L. c. 41, § 59](#)

[M.G.L. c. 41, § 61](#)

[M.G.L. c. 44, § 4](#)

[M.G.L. c. 44, § 6](#)

[M.G.L. c. 44, § 6A](#)

[M.G.L. c. 44, § 7](#)

[M.G.L. c. 44, § 8](#)

[M.G.L. c. 44, § 17](#)

[M.G.L. c. 44, § 19](#)

[M.G.L. c. 44, § 20](#)

[M.G.L. c. 44, § 21A](#)

[26 USC § 148](#)

DLS Informational Guideline Releases 2022-01: [Premiums and Surplus Proceeds for Proposition 2½ Excluded Debt](#) and 2022-02: [Borrowing](#)

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

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

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

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

FINANCIAL RESERVES

Applies to:	<ul style="list-style-type: none"> ▪ Finance Director, Town Administrator, Select Board, Advisory Committee, Capital Improvement and Planning Committee, School Superintendent, and Southborough School Committee in budget analysis and decision making ▪ Select Board in its role as the Water Commission in rate-setting decisions
Scope:	Goals for and appropriate use of financial reserves, including free cash, stabilization funds, retained earnings, and overlay surplus
Date:	Adopted by the Select Board on [Date]

PURPOSE

To help assure the Town’s ability to stabilize finances during difficult economic periods so that operations can be maintained and to provide a cash funding source for capital plan items not suitable for bonding, this policy establishes prudent practices for appropriating to and expending reserve funds. With well-planned sustainability, the Town can use its reserves to finance emergencies and other unforeseen needs, to hold money for future purposes, or in limited instances, to serve as revenue sources for the annual budget. Reserve balances and policies can also positively impact the Town’s credit rating and consequently its long-term borrowing costs.

POLICY SUMMARY

General Fund Reserve Name	Funding Target (% of PY general fund revenues)	Appropriate Usage
Free cash	2-4%	<ul style="list-style-type: none"> ▪ One-time costs only, including cash capital ▪ Replace reductions in state aid ▪ Build stabilization funds to achieve target levels ▪ Pay down the OPEB liability
General SF	5-6%	<ul style="list-style-type: none"> ▪ Emergencies and unexpected events ▪ Nonrecurring expenditures
SPED SF	No target as of 2024	<ul style="list-style-type: none"> ▪ Unanticipated or unbudgeted costs of special education
Capital SF	1-2%	<ul style="list-style-type: none"> ▪ Cash capital expenditures ▪ Funding source for debt service
Overlay	No target	<ul style="list-style-type: none"> ▪ Any legal purpose
Enterprise Fund	Retained Earnings Target (% PY EF budget)	Appropriate Usage
Water	25%	<ul style="list-style-type: none"> ▪ Capital improvements

POLICY TEXT

The Town is committed to building and maintaining its reserves so as to have budgetary flexibility for unexpected events and significant disruptions in revenue-expenditure patterns and to provide a source of available funds for future capital expenditures. Adherence to this policy will help the Town withstand periods of decreased revenues and control spending during periods of increased revenues. In total for the general fund reserves under this policy, the Town will strive to maintain a minimum funding level of 8-12 percent (8-12%) of its prior year general fund budget.

A. Free Cash

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

The Town will strive to realize year-to-year free cash certifications equal to two to four (2-4%) percent of the prior year’s annual general fund budget. To achieve this, the Finance Director will propose budgets with conservative revenue projections, and department heads will carefully manage their appropriations to produce excess income and budget turn backs. As much as practicable, the Town will limit its use of free cash to building reserves, funding nonrecurring costs (i.e., one-time expenditures, such as capital projects and emergencies), and offsetting the Town’s unfunded liabilities.

As much as practicable, the Town will limit its use of free cash to building reserves, funding nonrecurring costs (i.e., one-time expenditures, such as capital projects, snow and ice deficits, and emergencies), and offsetting the Town’s unfunded liabilities. Each year, 10 percent (10%) of the certified free cash amount will be appropriated to the Town’s trust fund for other postemployment benefits.

The Town will avoid appropriating any free cash to subsidize the annual operating budget, since this is the same as using it to fund recurring costs. As an exception, the Town can consider using free cash to compensate for a significant reduction in state aid from the previous fiscal year. If the lower level of state aid continues into future years, the Town must consider either increasing the levy or reducing expenditures to avoid a structurally unbalanced budget.

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 *three* stabilization funds, as detailed below.

General Stabilization: The Town will endeavor to achieve and maintain a minimum balance of five to six percent (5-6%) of the prior year budget in its general stabilization fund. Withdrawals from the fund should only be used to mitigate emergencies or other unanticipated events that cannot be supported by current general fund appropriations. When possible, withdrawals of funds should be limited to the amount available above the five percent (5%) minimum target. If any necessary withdrawal drives the balance below this minimum, the Town Administrator and Finance Director will develop a detailed plan to replenish the fund to the minimum level within the next two fiscal years.

SPED Stabilization: The purpose of this fund is to support unanticipated or unbudgeted special-education-related costs, including out-of-district tuition or transportation costs, for Southborough School District pupils. Town meeting voted to approve the creation of this fund on March 23, 2024. As of FY2025, no money has been appropriated to it and no policy target level set. Per [M.G.L. c. 40, § 13E](#), the fund’s balance cannot exceed two percent of the district’s annual net school spending amount.

Capital Stabilization: *By sustaining funding in this reserve, the Town can balance debt with pay-as-you-go practices and protect against unforeseen capital costs.⁴ The fund's target level shall be 1 to 2 percent (1-2%) of the prior year general fund budget.*

C. Overlay Surplus

The purpose of the overlay reserve is to offset unrealized tax revenue resulting from abatements and exemptions. It can be used for other purposes only after it is determined to have a surplus. Therefore, unlike the other previous two categories of reserves, this policy does not set a funding target for it. 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 analytical factors outlined in the Annual Budget Process policy.

At the conclusion of each fiscal year, the Board of Assessors will submit to the Town Administrator, Finance Director, 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 Select Board 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.

D. Retained Earnings

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

The Town will endeavor to maintain a minimum reserve amount of 25 percent (25%) of the operation's prior year budget, which represents three months' worth of expenditures. This reserve shall be used to fund major capital projects and provide rate stabilization in case of any emergencies. Whenever any major infrastructure improvement is being planned for the water operation, it may be necessary to revise the minimum targets upward.

To maintain the target reserve level for the enterprise fund, the Finance Director will review rates annually and, when necessary, make proposals to the Select Board for rate adjustments.

SOUTHBOROUGH REFERENCES

Policies: Annual Budget Process, Capital Planning, Debt Management, Forecasting, OPEB Liability

EXTERNAL REFERENCES

[M.G.L. c. 40 § 5B](#)

[M.G.L. c. 59 § 25](#)

[M.G.L. c. 44 § 53F½](#)

[M.G.L. c. 40, § 13E](#)

⁴ Southborough has not established this fund but should consider doing so to provide a prudent planning tool for financing the capital improvement plan.

DLS Informational Guideline Releases 2024-12: [Stabilization Funds](#), 2017-23: [Overlay and Overlay Surplus](#), and 2022-16: [Enterprise Funds](#)

DLS Best Practice: [Free Cash](#)

Government Finance Officers Association (GFOA) Best Practices: [Fund Balance Guidelines for the General Fund](#), [Working Capital Targets for Enterprise Funds](#), and [Strategies for Establishing Capital Asset Renewal and Replacement Reserve Policies](#)

GFOA policy initiative: [Rethinking Reserves](#)

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

PURPOSE

To assess the range of choices available to budget decision makers when determining how to allocate resources, this policy establishes guidelines for creating projections of revenues and expenditures as part of the annual budget process and multiyear fiscal planning. By presenting the future implications of current budget scenarios, forecasting helps local officials to make strategic plans for lasting fiscal sustainability and future investment.

POLICY

To determine the Town’s operating capacity for future fiscal years, the Finance Director will annually create a detailed forecast with five-year projections of revenues and expenditures. The Town Administrator, Select Board, Advisory Committee, and Capital Improvement and Planning Committee will use the forecast to support their decision making for the upcoming year’s operating and capital budgets and for the Town’s multiyear capital improvement plan. To guard against potential deficits, as a general rule, the Finance Director will purposely estimate revenues on the low end of possibility.

To guard against potential deficits, as a general rule, the Finance Director will create conservative forecasts. In basic terms, this entails reviewing historical revenue and expenditure trends, anticipating factors that may impact those trends going forward, analytically developing assumptions, and then formulating reasonable revenue and realistic expenditure projections.

Early in the annual budget process, the Finance Director will present the initial forecast to a joint meeting of the Select Board and Advisory Committee. Throughout the budget development process, the Finance Director will update the forecast whenever there are changes in circumstances that would materially impact forecast projections and provide the revised forecast to the Town Administrator, who will subsequently share it with the Select Board and Advisory Committee.

With each new budget year, the Finance Director and Town Administrator will review the performance accuracy of prior-year forecasts and evolving factors related to its 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 Principal Assessor.
- The levy limit's relationship to the levy ceiling (which is 2.5 percent of the Town's real and personal property total value) will be annually assessed to identify potential override capacity and 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 (90%) of the prior year's actual collections without firm evidence that higher revenues are achievable.
- No one-time revenues will be applied in the projections to support recurring operating expenditures. This means that projections of funds available to support operating budget expenditures in future years will be constrained to those revenues anticipated to be brought in within the given years, as opposed to any usage of residual funds available from the prior year(s), such as free cash or overlay.
- 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.
- To the extent feasible, the Select Board will set water user fees sufficient to cover all of the water enterprise fund's direct, indirect, and capital costs and thereby minimize any subsidies by the general fund.

B. Guidelines for Expenditure Assumptions

Annually, the Town Administrator and Finance Director will determine a particular 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.
- Trends in enrollments, school choice, tuition, and charter assessments will be factored.
- The Town will annually meet or exceed the state's net school spending requirements for the local elementary schools.
- The Town will cultivate a strong relationship with the Northborough-Southborough Regional School District to receive timely, long-term estimates of district assessments (Grades 7 – 12).
- Only currently known increases in employee compensation plans will be factored into the projections, leaving any potential, future cost-of-living adjustments to be calculated independently of the forecast.

- The Town will pay its annual pension contributions and make appropriations to amortize its other postemployment benefits (OPEB) liability.
- The forecast will integrate projected capital expenditure data contained in the Town's multiyear capital improvement plan.
- The Town will pay all existing debt service obligations and adhere to its Capital Planning and Debt Management policies.
- The water enterprise fund will reimburse the general fund for indirect costs.

SOUTHBOROUGH REFERENCES

Policies: Annual Budget Process, Capital Planning, Debt Management, Financial Reserves, Grants Management, OPEB Liability

EXTERNAL REFERENCES

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

DLS Informational Guideline Release 2022-2: [Borrowing](#)

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

Government Finance Officers Association article: [Financial Forecasting in the Budget Preparation Process](#)

INDIRECT COST ALLOCATION	
Applies to:	<ul style="list-style-type: none"> ▪ Town Administrator, Select Board, and Advisory Committee in their budget decision-making responsibilities ▪ Finance Director, Town Accountant, and Public Works Superintendent job duties
Scope:	Analysis, calculation, and accounting of indirect costs attributable to the water enterprise fund
Date:	Adopted by the Select Board on [Date]

PURPOSE

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

BACKGROUND

Under authority established in [M.G.L. c. 44 § 53F½](#), the accounting transactions for the Town’s water enterprise fund are recorded and managed separately from the general fund. The Water Division’s revenues and expenses are not commingled with those of any other governmental activity, and it also has a different financial statement from that of the general fund. Consolidating the Division’s direct and indirect costs, debt service, and capital expenditures into a separate fund allows the Town to demonstrate to the public the true, total cost of providing water services.

POLICY

As part of the annual budget process, the Finance Director will calculate the indirect costs of the general fund for the water enterprise and review them with the Town Administrator and Director of Public Works. Prior to finalizing the budget, the Town Administrator, Finance Director, and Director of Public Works will review and agree in writing to the indirect cost allocation methods and amounts. Indirect cost expenses will be determined using the most up-to-date cost information available to the Finance Director and Town Accountant at that time. Based on the results, the Town Accountant will record transfers between the relevant funds annually by June 15 of each fiscal year. The Finance Director will maintain written procedures detailing the costs and their calculation methodologies.

A. Cost Categories

The indirect cost calculation will account for the following enterprise-related expenditures budgeted in the general fund:

- The Water Division’s **personnel costs** for active and retired employees, including pensions, insurances, Medicare taxes, unemployment, and workers’ compensation
- **Administrative services** performed on behalf of the Water Division by other departments, such as:
 - General ledger maintenance and warrants payable processing provided by the Accounting Department
 - Collections, banking, investment, tax title, payroll, benefits, and budget development services provided by the Treasurer/Collector Department
 - Personnel administration services provided by the Town Administrator Department
 - Network, cybersecurity, hardware and software services provided by the Technology Department

- The following **expenses**:
 - Information technology costs
 - Vehicle and property insurances
 - Legal services
 - Independent audit services
 - Actuarial services related to other postemployment benefits (OPEB)
 - Other costs that may be agreed to and documented

B. Calculation Methodologies

The Finance Director will calculate indirect costs based on the most recent fiscal year’s appropriations using the appropriate methodology for the particular cost category.

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

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

C. Calculations by Cost Category

The text in this section provides sample calculations for discussion purposes. Before adopting this policy, Section C should be reviewed and revised as necessary, and it should be expanded for any other costs that may be agreed to.

1. **Health and Life Insurances**

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

2. **Medicare**

The Town’s Medicare cost represents the employer match of the Medicare tax charged to employees hired after April 1, 1986. Using the actual cost method and based on employee W-

2s, the costs will be calculated as 1.45 percent of the total gross wages paid by the Town on behalf of eligible enterprise fund employees during the preceding calendar (not fiscal) year.

3. Retirement

Indirect pension costs will be calculated using the proportional methodology. The water enterprise fund will be assessed the portion of the total annual contributory retirement assessment that represents its employees' compensation within the total employee compensation for the period reported to the Public Employee Retirement Administration Commission.

4. Independent Audit

Independent audit costs will be based on the proportional method. The proportion of the Water Division's annual net-of-debt budget within the Town's total net-of-debt operating budget shall be multiplied against the annual cost of the audit contract.

5. Administrative Services

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

SOUTHBOROUGH REFERENCES

Policies: Forecasting

EXTERNAL REFERENCES

[M.G.L. c. 44 § 53F½](#)

Division of Local Services Informational Guideline Release 2022-16: [Enterprise Funds](#)

Government Finance Officers Association Best Practice: [Indirect Cost Allocation](#)

INVESTMENTS	
Applies to:	<ul style="list-style-type: none"> ▪ Treasurer/Collector’s statutory duty to invest Town funds ▪ Any investment advisor(s) with whom the Town contracts
Included in Scope:	Goals, objectives, and allowable practices related to all of the Town’s short-term operating funds and its long-term reserve, investment, and trust funds
Not in Scope:	<ul style="list-style-type: none"> ▪ Town funds invested by the Worcester Regional Retirement System ▪ Investment policy decisions of the Town’s elected Commissioners of Trust Funds, although the Commission’s investment options are restricted by the same statutes as the Treasurer/Collector
Date:	Adopted by the Select Board on [Date]

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.

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. Standards of Care

If the Town accepts [M.G.L. c. 44, § 54](#)'s subsection (b)(1), the Treasurer/Collector is authorized to pool and invest trust funds (and only trust funds) in accordance with the standards of care outlined in the Prudent Investor Act ([M.G.L. c. 203C](#)). If the (b)(1) subsection is not locally accepted, all investments by the Treasurer/Collector must comply with the more restrictive provisions found in [M.G.L. c. 44, § 54, 55, 55A](#) and [55B](#) and outlined in the table in Section D below. 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 agreement had been executed in accordance with the applicable statutes and the provisions of this policy.

C. 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 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.

D. Investment Instruments

Unless the Town has accepted [M.G.L. c. 44, § 54](#)'s subsection (b)(1) for the investment of trust funds, all short- and long-term investments by the Treasurer/Collector must adhere to the guidelines and allowable investment instruments outlined below.

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

Instrument Type	Short-term Funds	Long-term Funds
The Massachusetts Municipal Depository Trust (MMDT) , the State Treasurer/Collector's investment pool for public entities.	No limitations and the pool is liquid	No limitations
U.S. Treasury or other U.S. government agency obligations	Unlimited amounts and up to one year from date of maturity	No limitations
Bank-issued repurchase agreements ("repos") secured by U.S. Treasury or other U.S. government agency	Maximum maturity of 90 days	Repos are by their nature short-term and therefore not appropriate for the growth objective of long-term funds.
Money market mutual funds	<ul style="list-style-type: none"> ▪ 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.

E. 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 F).</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>

Type of Risk	Mitigation Strategy
<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>

F. 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 (25%) 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.

G. 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.

To ensure that any investment advisor contracted by the Town complies with this policy, the Treasurer/Collector will do the following:

- Meet with the investment manager at least semiannually to monitor the performance of the investment fund and compliance with the Town’s policies.
- Monitor fund performance by comparing the investment manager’s results to a blended benchmark to be determined in conjunction with the investment manager.
- Rebalance the portfolios at least annually or more frequently if appropriate.

H. Reporting Requirements

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

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

SOUTHBOROUGH REFERENCES

Policies: Antifraud, OPEB Liability, Procurement Conflict of Interest

EXTERNAL REFERENCES

[M.G.L. c. 30B](#) [M.G.L. c. 29, § 38A](#) [M.G.L. c. 44, §§ 54, 55, 55A](#) and [55B](#)
[M.G.L. c. 110A, § 201](#) [M.G.L. c. 167, § 15A](#) [M.G.L. c. 203C](#)

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

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

MA Division of Banks webpages: [List of Legal Investments](#) and [Find Banks and Credit Unions](#)

Massachusetts Depositors Insurance Fund webpage: [FAQs](#)

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

U.S. Securities and Exchange Commission webpage [Form ADV Information](#)

OTHER POSTEMPLOYMENT BENEFITS LIABILITY

Applies to:	<ul style="list-style-type: none">▪ Town Administrator, Select Board and Advisory Committee in their budget decision-making duties▪ Town Accountant, Treasurer/Collector, Payroll & Benefits Coordinator, and Public Works Superintendent job duties
Scope:	<ul style="list-style-type: none">▪ Budget decisions related to the Town's OPEB liability▪ Liability mitigation
Date:	Adopted by the Select Board on [Date]

PURPOSE

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

BACKGROUND

In addition to salaries, the Town compensates employees with benefits earned during years of service to be received upon retirement. One such benefit is a pension, and another is a set of retirement insurance plans for health, dental, and life, which are collectively referred to as other postemployment benefits, or OPEBs. OPEBs represent a significant liability for the Town that must be properly measured, reported, and planned for financially.

POLICY

The Town is committed to funding the long-term cost of the benefits promised its employees. To do so, the Town will accumulate resources for future benefit payments in a disciplined, methodical manner during the active service life of employees. The Town will also periodically assess strategies to mitigate its OPEB liability. This involves evaluating the structure of offered benefits and their cost drivers, as well as conducting periodic audits of the Town's insurance rolls.

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 the financial statements that comply with the current guidelines of the Governmental Accounting Standards Board (GASB). The Town Administrator will ensure that the Town's independent audit firm reviews compliance with the accounting and reporting provisions of this policy as part of its annual audit and reports on these to the Select Board.

B. Trust Management and Investment

The Town established an OPEB trust fund⁵ and designated the Treasurer/Collector as its trustee. As the fund's custodian, the Treasurer/Collector will manage it in conformance with the Town's Investments policy.

⁵ The trust fund was established pursuant to town meeting's acceptance of M.G.L. c. 32B, § 20 on April 8, 2014. The Municipal Modernization Act of 2016 revised the statute to achieve greater adherence with GASB Statement 75, including ensuring that the fund is irrevocable, exclusively dedicated to OPEB plan members, and legally protected against creditors. To make the trust fund compliant with the revised statute, town meeting must reaccept it.

C. Mitigation

On an ongoing basis, the Town will assess healthcare cost containment measures and evaluate strategies to mitigate its OPEB liability. The Finance Director will monitor proposed laws affecting OPEBs and Medicare and analyze their impacts. The Payroll & Benefits Coordinator 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 water enterprise operation remains self-supporting, the Water Superintendent and Treasurer/Collector (as Finance Director) will factor its OPEB contributions into the setting of water 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 at least 10% of the annual free cash certification to the OPEB trust fund.
- Transfer unexpended funds from insurance line items to the 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 trust fund the amount equivalent to the former pension-funding payment or the ADC, whichever is less.

SOUTHBOROUGH REFERENCES

Policies: Financial Reserves, Investments

EXTERNAL REFERENCES

[M.G.L. c. 32B, § 20](#) and [20A](#)

[M.G.L. c. 44, § 54](#) and [55](#)

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

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](#)

Division of Local Services (DLS) Information Guideline Release 2019-10 [Other Postemployment Benefits Liability Trust Fund](#)

DLS FAQs: [OPEB Trust Fund FAQs](#)

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

SPECIAL PURPOSE APPROPRIATIONS	
Applies to:	<ul style="list-style-type: none"> ▪ Select Board, Advisory Committee, and Capital Improvement and Planning Committee (CIPC) in their budget decision making ▪ Town Administrator, Finance Director, and Town Accountant job duties ▪ Job duties of all department heads, boards, and committees with expenditure authority for special articles (all referred to here as department heads)
Scope:	Monitoring, reporting, continuing, and closing special purpose appropriations
Date:	Adopted by the Select Board on [Date]

PURPOSE

To maximize the Town’s resources through the efficient identification of unused appropriated funds, this policy lays out protocols for continuing, reporting on, and closing special purpose appropriations.

BACKGROUND AND DEFINITIONS

Special purpose appropriation – A budget appropriation having a spending purpose whose time of completion may extend beyond a single fiscal year. In most but not necessarily all cases, special purpose appropriations are for capital projects and are presented to town meeting in warrant articles separate from the town-wide budget article.

Continued appropriation account – At fiscal year-end, if the expenditure of a special purpose appropriation is still pending, the Town Accountant must create this account for it in the forthcoming year’s general ledger to carry over its balance within the new year’s operating budget.

Because the time frame for expending a special article is open-ended, the Town must be proactive in monitoring the expenditure status of each special purpose appropriation account and promptly close it when called for so that any unexpended balance may then be made available for other purposes or potentially become available to augment the Town’s free cash certification.

There are two types of special appropriation closures, based on the purchase or project status:

1. Completed: The money was spent for the approved purpose, and there is no balance or only a small balance remaining.
2. Canceled: A determination has been made that the spending purpose is no longer necessary, and only a portion or none of the appropriation has been spent.

POLICY

As a general rule, the Town will administratively manage the continuation or closure of special purpose appropriations in accordance with the provisions of this policy without the need for further legislative action by town meeting.

Some communities only review the status of special appropriation funds at year-end. This policy calls for ongoing, monthly reviews of these appropriations so that any residual or otherwise static balances may receive timely consideration as a potential funding source for a new purpose in the next town meeting or to cover any year-end deficit by line-item transfer.

A. Reporting Appropriation Status Updates

Each month, the Town Accountant sends updated expenditure reports to all department heads. If a special appropriation fund's purpose was accomplished by an expenditure that took place during the month being reported, the associated department head will email the Town Accountant to notify her of this within one week of receiving the expenditure report.

If the completed account reported by the department head has a residual balance of less than \$5,000, the Town Accountant will close it in the general ledger, as described in Section C below. For an appropriation with a balance above \$5,000, the Town Accountant will take no further immediate action but will report it in a running list of all special purpose appropriation accounts with residual balances accompanying the next monthly expenditure report sent to the Town Administrator.

From time to time, changing circumstances may lead to a decision that the spending purpose of a special appropriation is no longer necessary. When this happens, the decision maker will notify the Town Accountant within one month that the appropriation has been canceled and explain why. The Town Accountant will also include all canceled special purpose appropriations with her monthly budget reports to the Town Administrator.

Department heads will also respond to the Town Accountant's year-end closing memo with the status of any special appropriations that were their responsibility during the fiscal year, including both the open projects that need a continued appropriation for the forthcoming year and those that were completed or canceled in that year.

B. Repurposing Unexpended Funds

The Town Administrator will maintain a detailed spreadsheet of the completed and canceled special purpose appropriations reported by the Town Accountant. The Town Administrator and Finance Director will refer to it to provide prioritized funding sources when developing budgets for annual or special town meetings and when reviewing the status of the town-wide budget at year-end for potentially necessary line-item transfers. No later than June 15 each year, the Town Administrator will meet with the Finance Director and Town Accountant to determine which account balances will not be proposed for new purposes. By June 30, the Town Accountant will close those accounts to their originating funding sources.

In the event that the Town's budget framers desire to reappropriate a surplus balance in a special purpose appropriation account to a new purpose, town meeting approval is required, with two exceptions. One is the exercise of the Select Board's and Advisory Committee's combined authority to do year-end, line-item transfers. The other relates to surplus proceeds of bond-funded projects (see Section E of the Debt Management policy).

When proposing a new use for the surplus funds of a special purpose appropriation, the Town Administrator, Select Board, Advisory Committee, and CIPC will be guided by provisions in the Town's adopted financial planning policies. However, the first priority for the Select Board and Advisory Committee in their year-end transfer actions will be the prevention of budget deficits. Note also that the Community Preservation Committee has sole authority for making decisions about any proposed new uses of community preservation funds. Any new use of surplus funds that derived from a restricted reserve must conform to the restrictions of said reserve.

C. Accounting Guidelines for Administrative Closeouts

When closing out an account, the Town Accountant's transfers of surplus funds will comply with the following guidelines based on their funding sources:

- Tax levy or free cash: Transfer to undesignated fund balance.
- Restricted reserve (e.g., stabilization, community preservation funds, etc.): Transfer back to the reserve of origin.
- Bond-funded projects: See Section E of the Debt Management policy.

SOUTHBOROUGH REFERENCES

Policies: Annual Budget Process, Capital Planning, Debt Management, Forecasting

EXERNAL REFERENCES

[M. G.L. c. 44, § 33B](#)

Division of Local Services Informational Guideline Release 2017-13: [Appropriation Transfers](#)

FINANCIAL OPERATIONS POLICIES

AMBULANCE RECEIVABLES	
Applies to:	<ul style="list-style-type: none"> ▪ Fire Chief in managing the Town’s ambulance billing contract ▪ Related job duties of the ambulance staff, Town Administrator, Treasurer/Collector, and Town Accountant ▪ The Town’s ambulance billing vendor, currently Comstar Ambulance Billing Service (“Comstar”) ▪ All persons transported by the Town’s ambulances (“patients”)
Scope:	Charging, collection, and enforcement of ambulance receivables and writing off uncollectible or hardship-approved accounts
Date:	Adopted by the Select Board on [Date]

PURPOSE

To mitigate potential liabilities from uncollected accounts associated with Town’s ambulance-related emergency medical services (EMS), this policy establishes guidelines for managing ambulance receivables.

POLICY

Through a service contract with Comstar, the Town shall uniformly assess EMS charges to all patients who have been provided ambulance transportation, regardless of whether they have third-party health insurance coverage. The Town shall pursue all reasonable measures to collect these charges except when financial hardship waivers are warranted.

A. Charges and Billing

In the course of each transport, the Town’s ambulance crew will use reasonable efforts to obtain the patient’s name, address, and insurance data. As soon as possible after the transport, the Fire Department will transmit each transport’s patient information and service details to Comstar.

Based rates published by the Centers for Medicare and Medicaid Services (CMS), Comstar will assign values to the services detailed in each transport notification to create the ambulance accounts receivable control. On an annual basis, Comstar will provide the Fire Chief with the current CMS rates and any proposed changes to them under the Town’s contract. The Fire Chief will discuss proposed rate changes with the Treasurer/Collector and Town Administrator as part of the annual budget process, and they will sign off on finalized rates.

When third-party health care information is available, Comstar will transmit electronic bills to the identified providers. Comstar will mail bills directly to patients whenever third-party information is unavailable or a balance remains after providers have paid their portions of the bills. The Fire Chief will confirm on a monthly basis that all transports for the prior period have been billed.

B. Collection and Enforcement

Comstar will deposit all payments received into a bank account opened for that purpose and controlled by the Treasurer/Collector. Any Town employee who receives an ambulance payment will turn it over to the Treasurer/Collector’s Office for forwarding to Comstar.

If the full payment for any account is not received after the initial bill, Comstar will issue follow-up bills at 30-day intervals but send no more than three patient bills for any single ambulance run.

On a monthly basis, Comstar will provide the Fire Chief, Treasurer/Collector, and Town Accountant with a full accounting of activities, including the following reports, at minimum: transaction detail and summary, deposits summary, aging details, account write-offs, credit adjustments, and requests for disposition.⁶ In accordance with the Town's Reconciliation policy, the Treasurer/Collector will review the report as part of the monthly cash reconciliations, and the Town Accountant will complete a quarterly reconciliation of ambulance receivables with the general ledger.

C. Review of Receivables

The Fire Chief will review receivables on a monthly basis and follow up with Comstar, insurance carriers, and other parties as needed to resolve outstanding receivables issues.

The Fire Chief will meet quarterly with the Treasurer/Collector and Town Accountant to confirm all transports have been billed and are included in the receivables, reconcile deposits and outstanding balances, and review Comstar's request for disposition report. At these meetings, the review team will consider recommendations to the Town Administrator and Select Board for potential uncollectible write-offs and, based on these discussions, the Fire Chief will prepare a written report of recommendations.

D. Uncollectible Accounts

The Fire Chief will present recommendations on uncollectible accounts to the Select Board. The Select Board shall vote to declare the uncollectible accounts, and the Fire Chief will subsequently notify Comstar to write them off its books. None of these write-off determinations constitute debt forgiveness; Comstar will accept and deposit in the ambulance bank account any payments that may be subsequently received for them.

E. Financial Hardship Requests

All written and verbal communications with patients, whether by Comstar employees or Town officials, will include notice that amounts owed may be waived upon demonstration of financial hardship. A patient seeking a hardship waiver must submit a request in writing to the Fire Chief and submit relevant supporting documents.

As the standard for evaluating the hardship request, the Fire Chief will use the poverty guidelines set by the U.S. Department of Health and Human Services (HHS) for the current calendar year.⁷ If the Fire Chief determines the patient's income is at or below the HHS guideline level for the applicable household size, the Fire Chief will consult with the Town Administrator prior to sending a write-off authorization letter to Comstar. Comstar will then write the account off its books and forward notice of this to the Fire Chief. The Fire Chief will provide the Town Administrator, Treasurer/Collector, and Town Accountant with copies of all write-off authorization letters with all HIPAA patient information redacted.

⁶ This provision was not in the most recent contract but recommended for inclusion in the next one.

⁷ This is the suggested standard to use; the current policy contains no point of reference for hardship determinations.

F. Privacy Protection

All information received as a result of this policy, including patients' names, addresses, medical histories, and financial information, is protected and exempt from public record classification. Access to and retention of patient information are subject to compliance with federal and state regulations related to medical, personal, and financial information.

G. Reporting and Audit

After conducting a reconciliation of accounts with the Town Accountant, the Treasurer/Collector will provide the Town Administrator and Fire Chief with a quarterly ambulance activity report, including data on collections, aged receivables, and write-offs. The Fire Chief will reconcile this quarterly ambulance activity report against the department's report. The Town Accountant will ensure that an annual, reconciled ambulance receivable balance is included in the Town's year-end financial reports. All ambulance receivable activities are subject to audit by the Town's independent auditor.

SOUTHBOROUGH REFERENCES

Policies: Reconciliations

Contract with Comstar Ambulance Billing Services

EXTERNAL REFERENCES

[M.G.L. c. 4 § 7, clause twenty-sixth](#) [M.G.L. c. 40 § 4A](#) and [5F](#) [M.G.L. 93H](#)

[940 CMR 27.00](#)

[950 CMR 32.00](#)

[Health Insurance Portability and Accountability Act of 1996 \(HIPAA\)](#)

[CMS Ambulance Fee Schedule](#)

US Department Health and Human Services: [Annual Update of the HHS Poverty Guidelines](#)

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

PURPOSE

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

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

POLICY

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

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

A. Actions Constituting Fraud or Abuse

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

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

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

Fraudulent activity includes, but is not limited to, the following:

- Any dishonest or fraudulent act

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

B. Antifraud Responsibilities

Every employee has a duty to report any suspected fraudulent activity. Department heads are responsible for instituting and maintaining a system of internal controls to reasonably ensure the prevention and detection of fraud. All Town officials, department heads, and supervisory staff must familiarize themselves with the types of fraud that could occur within their areas of responsibility and be alert for any indications of such conduct. The Town Administrator has primary responsibility for coordinating all fraud investigations.

C. Reporting Suspicion of Fraud

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

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

D. Security of Evidence

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

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

E. Confidentiality and Media Relations

All participants involved in a fraud investigation will keep its details and results confidential so as not to violate any individual's expectation of privacy, and the Town Administrator will ensure that all related documents are securely stored. No investigation-related verbal information or documents may be shared with anyone not formally assigned to the investigation. No person employed by or otherwise acting on behalf of the Town may make any comment to the media or any other party without explicit authorization from the Town Administrator or Select Board.

F. Investigation

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

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

The Town will investigate every non-anonymous report of suspected fraud. For any anonymous report, the Select Board will decide whether a formal investigation is justified based on the following:

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

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

G. Conclusion of Investigation, Corrective Actions, and Disclosures

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

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

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

H. Whistleblower Protection

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

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

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

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

I. Ethics Training and Annual Acknowledgments

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

SOUTHBOROUGH REFERENCES

Policies: Procurement Conflict of Interest, Purchasing, Reconciliations, Revenue Turnover

EXTERNAL REFERENCES

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

MA Office of the Inspector General webpage: [What is Fraud?](#) and [Fraud Reporting FAQ: What to Know](#)

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

GRANTS MANAGEMENT	
Applies to:	<ul style="list-style-type: none"> ▪ Grant administrators within Town departments ▪ Select Board, Southborough School Committee, Town Administrator, School Superintendent, Finance Director, Town Accountant, and Treasurer/Collector in their grant-related responsibilities ▪ Department heads and Town officials that accept the grants obtained for their departments, in their budget management and operational oversight roles
Scope:	<ul style="list-style-type: none"> ▪ Evaluating grant opportunities ▪ Tracking grant activity ▪ Processing revenues and expenditures
Date:	Adopted by the Select Board on [Date]

PURPOSE

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

BACKGROUND

[M.G.L. c. 44, § 53A](#) allows any department head or Town official to accept a grant from a state, federal or other grantor, which funds may then be spent without appropriation. However, the statute also requires that the expenditure of the grant funds be approved by the Select Board (or the School Committee for school grants). This approval process allows the Select Board (or the School Committee) to assess whether or not the particulars of the grant program align with Town/School goals without also creating any substantially offsetting financial or administrative burdens. Thus, for practical reasons, this policy calls for departments to obtain preapproval(s) before applying for any grants and then obtain expenditure approval once a grant is awarded.

As a legal contract, every grant agreement must be fulfilled in accordance with its prescribed terms and conditions, and all applicable federal, state, and local regulations. Failure in this regard exposes the Town to legal and financial liabilities and compromises future grant funding.

POLICY

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

No department shall expend grant funds until a fully executed grant agreement has been approved for expenditure by the Select Board (or the School Committee when applicable). Further, no grant funds shall be used to supplant an existing expense for the purpose of diverting current funds to another use.

Operating departments through their designated grant administrator(s) have primary responsibility for seeking grant opportunities, preparing applications, and managing awarded programs. The Town Administrator and Finance Director are responsible for consulting with grant administrators on grant budgetary matters. The Town Accountant will monitor grant expenditures for consistency with award

requirements, track the timeliness of reimbursement requests, distribute monthly reports of grant expenditures to departments, and 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 grant administrator will assess the opportunity in consultation with the Town Administrator and Finance Director or with the School Superintendent. 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 grant administrator 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 grant administrator will submit a meeting agenda item requesting preapproval from the Select Board (or School Committee). The submission should summarize the grant and how it complies with this policy. If the grant proposal meets approval at this stage, the Town Administrator will make a determination as to whether any preapproved application should also be submitted to the Town Counsel for a legal review. Following this, the grant administrator will submit the grant application to the grantor and forward a copy to the Finance Director and Town Accountant.

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

Upon receiving the new grant's documents, the Town Accountant will create a new general ledger account to record the grant's activity. When notified of any amendment or adjustment by the grantor, the grant administrator will immediately forward the information to the Finance Director,

as well as 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 grant administrator will discuss its requirements and the timing of reimbursement requests (e.g., at the time of expenditure, monthly or quarterly), when applicable.

The grant administrator will ensure all expenditures made are allowable and consistent with each grant award's requirements. The grant administrator will submit project invoices to the Town Accountant. The grant administrator will also ensure the proper payroll account codes for grant-funded employees are reported on the department's submission to the Treasurer/Collector's Office 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 grant administrator of the resulting amounts to include on the accounts payable (AP) submissions.

To minimize the use of advanced Town funds, every grant administrator will request reimbursements as often as the grant's guidelines allow and always no later than June 15. In doing so, the administrator will prepare all required reports and requests as detailed in the agreement and submit these to the grantor. Immediately following each submittal, the grant administrator will send an email notification of the reimbursement request to the Finance Director and Town Accountant.

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 Finance Director 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 grant administrator will verify that all grant requirements have been met and will send to the Town Accountant (cc. Finance Director) a grant closeout package that includes a final report and either a final reimbursement request or notification of the amount to be refunded to the grantor.

Upon receipt of the closeout package, the Town Accountant will put the general ledger's grant account into inactive status and reconcile the grant administrator's report with the general ledger's record of grant activity. The grant administrator 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.

E. Audit

All grant activities are subject to audit by the particular grantors, the Town Accountant, and Southborough'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.

SOUTHBOROUGH REFERENCES

Policies: Antifraud, Reconciliations

EXTERNAL REFERENCES

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

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

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

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

PROCUREMENT - CONFLICT OF INTEREST	
Applies to:	<ul style="list-style-type: none"> ▪ Town Administrator’s role as chief procurement officer and the Assistant Town Administrator when designated to assist in this function ▪ All Town employees, officials, and others working on the Town’s behalf who are involved with procurements ▪ Prospective contractors
Scope:	Guidelines for vetting conflicts of interest related to all procurements
Date:	Adopted by the Select Board on [Date]

PURPOSE

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

POLICY

The Town is committed to ethical business practices, professional integrity, and compliance with all procurement laws and regulations. The Town will provide fair opportunities to participants in competitive processes for the award of 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 Town Administrator.

The Town Administrator or his designee 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. Conflict Disclosure and Review

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

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

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

The departmental purchasing employee will:

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

The Town Administrator or his designee will:

1. Review the submitted forms for potential conflicts of interest.
2. Discuss any potential conflicts of interest with the Town Accountant, and potentially the Town Counsel as needed.
3. Document the resulting determinations and provide the Town Accountant and Select Board with notice of the 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.

SOUTHBOROUGH REFERENCES

Bylaws:

- Article I: Miscellaneous Provisions, [§ 36-4 Deriving of benefits from contracts or agreements](#)
- Article IX: Town Administrator § 27-26 [Powers and duties](#)

Policies: Antifraud, Purchasing

EXTERNAL REFERENCES

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

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

[M.G.L. c. 41, § 57](#)

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

MA State Ethics Commission webpage: [Disclosure Forms for Municipal Employees](#)

MA Inspector General webpage: [Procurement Assistance](#)

PURCHASING	
Applies to:	<ul style="list-style-type: none"> ▪ Town Administrator’s role as chief procurement officer and the Assistant Town Administrator when designated to assist in this function ▪ Town Accountant job duties related to approving accounts payable for purchases of goods and services ▪ All other Town employees and officials involved in procurement or purchasing
Scope:	Procurement and contract processes, including developing bid requirements and all purchasing-related responsibilities
Date:	Adopted by the Select Board on [Date]

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.

POLICY

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

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

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

A. Quotation and Bidding Requirements

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

- Under \$10,000 requires the use of sound business practices.
- Between \$10,000 and \$49,999 requires solicitation of at least three written quotes.
- \$50,000 or more requires competitive sealed bids or proposals for contracts.⁸

⁸ If the pending [Municipal Empowerment Act](#) is passed into law, the cost range in this list’s second bullet should be revised to \$10,000 and \$99,999, the third bullet’s threshold changed to \$100,00, and corresponding revisions made in the remainder of this policy as well.

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

B. Sole Source Procurements

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

C. Purchasing Employee/Department Head Responsibilities

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

Purchase costing less than \$10,000:

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

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

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

Purchase costing \$50,000 and over:

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

D. Town Administrator or designee Responsibilities

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

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

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

Purchase costing \$50,000 and over:

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

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

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.

SOUTHBOROUGH REFERENCES

Bylaws: Article IX: Town Administrator § 27-26 [Powers and duties](#)

Policies: Procurement Conflict of Interest, Reconciliations

EXTERNAL REFERENCES

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

[M.G.L. c. 44, § 31C](#)

MA Inspector General manual: [The Chapter 30B Manual: Procuring Supplies, Services and Real Property - Legal Requirements, Recommended Practices and Sources of Assistance \(May 2023\)](#). [Look for an updated manual if/when the Municipal Empowerment Act goes into effect.]

MA Inspector General manual: [Designing and Constructing Public Facilities \(November 2023\)](#)

RECONCILIATIONS

Applies to:	<ul style="list-style-type: none"> ▪ Town Accountant in keeping the general ledger up to date ▪ Treasurer/Collector in maintaining a cashbook and managing accounts receivable ▪ Payroll & Benefits Coordinator in managing payroll and insurance benefits ▪ All personnel within the Town with responsibility for managing either a receivable account and/or special revenue fund
Scope:	Periodic reconciliations of departmental cash, receivables, payroll, and special revenue fund records and of those departmental records with the general ledger
Date:	Adopted by the Select Board on [Date]

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 their own office’s transactions, they are also collectively accountable for the overall accuracy of the Town’s financial records.

POLICY SUMMARY

Records of Account to be Reconciled	Whose Records	Reconciliation Time Frames
Cashbook	Treasurer/ Collector	<ul style="list-style-type: none"> ▪ With online bank data daily ▪ Month-end close by 10th of the following month ▪ To the general ledger by 15th of each month
Payroll withholdings	Payroll & Benefits Coordinator	<ul style="list-style-type: none"> ▪ Internally, by the 10th of the following month ▪ To the general ledger by 15th of each month
Collector’s receivables	Treasurer/ Collector	<ul style="list-style-type: none"> ▪ Month-end close by 10th of the following month ▪ To the general ledger by 15th of each month
Other departments’ receivables	Departmental record-keepers	<ul style="list-style-type: none"> ▪ Internally, within 10 days of the end of each fiscal year quarter ▪ To the general ledger by the end of the month following each quarter-end
Special revenue funds	Departmental record-keepers	<ul style="list-style-type: none"> ▪ Internally, within 10 days of the end of each fiscal year quarter ▪ To the general ledger by the end of the month following each quarter-end

POLICY TEXT

The Treasurer/Collector, Payroll & Benefits Coordinator, and every department head responsible for managing a receivable account and/or special revenue fund will internally reconcile their respective accounting records and subsequently reconcile them with the Finance Director according to the guidelines and periodic time frames outlined in this policy. Although each financial officer is responsible for maintaining independent records of his or her office’s transactions, they are also collectively accountable for the overall accuracy of the Town’s financial records. All reconciliation activities are subject to audit by the Town’s independent auditor.

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 one week of each transaction. The Treasurer/Collector will reconcile cashbook accounts to their corresponding bank accounts daily and finalize the monthly reconciliation within 10 days after month-end. These will include zero-balance vendor and payroll bank accounts, whose balances must equal the outstanding checks at the end of any month.

The Treasurer/Collector will identify all reconciling items, including deposits in transit, bounced and voided checks, and discrepancies between the cashbook and financial institutions, and will document the reason for the discrepancy or correct them when appropriate. The Treasurer/Collector will then forward a cash activity summary report with the cashbook balances to the Town Accountant.

B. Payroll Withholdings Reconciliation

Payroll withholdings include federal and state taxes, child support and other wage assignments for legal obligations, deferred compensation, optional insurances, association dues, and other employer-sponsored options. At the conclusion of each pay cycle, the Payroll & Benefits Coordinator will forward a summary report of withholdings subject to vendor invoices (i.e., insurances) to the Town Accountant to be recorded in separate general ledger agency accounts and disbursed through the accounts payable process.

To reduce the risk to the Town for liabilities in excess of withholdings, the Payroll & Benefits Coordinator will conduct monthly reconciliations of these payroll withholdings to their corresponding accounts payable, identify any discrepancies, document the results of these activities, and make any necessary payroll changes or adjustments. The Town Accountant and Payroll & Benefits Coordinator will verify and reconcile payments for all other withholdings and deductions that are automatically issued through the payroll system via electronic fund transfers or check to the actual disbursements.

C. Accounts Receivable Reconciliation

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

The receivable control is a record of original entry in which a record-keeper reduces a list of receivables according to processed collections (as well as abatements and exemptions, when applicable) 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

Within 10 days after every month-end, the Treasurer/Collector will summarize the VADAR reports of all accounts receivable by bill type and levy year and forward the summary to the Town Accountant in a Schedule of Outstanding Receivables. The Treasurer/Collector will forward to the Town Accountant a Schedule of Outstanding Receivables report showing the internally reconciled accounts receivable balances. Quarterly, all record-keepers will provide a list of outstanding balances to the Town Accountant.

D. Special Revenue Fund Reconciliation

In accordance with various state statutes, certain revenues that are earmarked for specific purposes are segregated from the general fund. These special revenue funds 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 monthly. These department heads will subsequently provide the Town Accountant with quarterly reconciliation reports on the funds.

E. General Ledger Reconciliation

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

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

- If the total amount of revenue reported in the cashbook does not agree with the amount recorded in the ledger for that month, the Treasurer/Collector must verify that the monthly Treasurer'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 the Treasurer/Collector or other departmental record-keeper. Therefore, the above steps must resolve any discrepancies between the receivable control and the ledger. Whenever they do not, the particular 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 discrepancies and correct the record(s) as appropriate.

F. Time frames and Documentation

Employees subject to this policy will complete reconciliations of their internal accounting records early each month so that subsequent reconciliations to the general ledger take place no later than the 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 monthly.

SOUTHBOROUGH REFERENCES

Policies: Antifraud, Grants Management, Revenue Turnover

EXTERNAL REFERENCES

Division of Local Services Best Practice: [Reconciling Cash and Receivables](#)

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

REVENUE TURNOVER	
Applies to:	<ul style="list-style-type: none"> ▪ Treasurer/Collector, as the custodian of Town funds, and Treasurer/Collector Department staff in their cash management duties ▪ All individuals and department heads with responsibility for handling payments ▪ Town Accountant in the duty to keep the general ledger up to date
Scope:	Guidelines for managing all cash, check, credit card, and other forms of payment received by all Town departments for taxes, excises, fees, charges, and intergovernmental receipts, from the departmental level through Treasury and Accounting duties
Date:	Adopted by the Select Board on [Date]

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.

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. Town departments are expected to turn over their receipts on a daily basis, unless the total amount is less than \$100, in which case the turnover can be done at the end of the week.

To indemnify the Town from potential loss or theft of receipts, the Town Administrator will ensure that surety bonds are maintained for all individuals responsible for handling payments.

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 employees must identify the forms of payment (check, cash, or credit card) in the 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 Town employee who receives a check will immediately stamp it “For Deposit Only.” Every department shall secure their received payments in a locked cashbox or safe until completing a turnover to the Treasurer/Collector.

School Department personnel deposit lunch receipts into a Town bank account, and copies of those bank deposit slips must be included with the turnovers 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, 3) depositing receipts in the bank (if applicable for the department), and 4) turning receipts over to the Treasurer/Collector.

B. Turning Over Revenues

Departmental staff will fill out a turnover form in Excel, print it, and obtain the department head's signature. Every listed receipt should tie back to a receipt book entry and to the receipt logs maintained by the department head. Departmental staff will deliver the turnover package in person and at no time may leave any unattended turnovers in the Treasurer/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 the revenues received directly by the Treasurer/Collector's office during that period (e.g., state aid, grant funds, etc.). The turnover form will report all the revenues summarized by receipt type, which must reconcile to the bank deposits for the same period.

When a Treasurer/Collector employee has accepted the turnover, the departmental employee will receive two signed copies back. The departmental employee will deliver one copy to the Town Accountant's Office and retain the other on file. The Town Accountant will refuse to accept any turnover form that is not signed by a Treasurer/Collector employee.

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

C. Receiving Turnovers

When presented with the turnover, Treasurer/Collector staff will count the receipts in the presence of the departmental employee submitting 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 form, make two copies, and return two copies to the departmental employee.

Within 24 hours of receiving the turnover, Treasurer/Collector staff will record the receipt data in the VADAR Treasurer's Receipts module. Different staff will deposit any checks received via remote scanner. The Treasurer/Collector or Deputy Treasurer/Collector will take any received cash to the bank for deposit daily. Until the deposit is completed, the Treasurer/Collector will ensure that all receipts are secured, either in a cash drawer or, if being held overnight, in a safe.

At the close of business each day, the Treasurer/Collector will review all payment reports and documentation for the day (from VADAR, remote scanner, credit card, cash deposit slips, and online payment settlement). When all the activity ties out, the Treasurer/Collector will update the Excel cashbook with all the deposit data, and then approve and release the VADAR payment batches for the Town Accountant's review.

D. Updating the General Ledger

The Town Accountant will compare the data entered in VADAR's Treasurer's Receivables module to the turnover reports received from departments and investigate any discrepancies with the Treasurer/Collector and originating department. When the VADAR batches reconcile with the turnover reports, the Town Accountant will post the data to the VADAR general ledger.

E. Audit

All cash management activity is subject to review by the Town's independent auditor. Further, the Town Accountant will conduct periodic, random audits of the receipt management done by the Town's various departments to ensure adherence to this policy.

SOUTHBOROUGH REFERENCES

Bylaws: Article IV Treasurer and Collector of Taxes § 27-10E [Powers and Duties of Collector](#)

Policies: Reconciliations

EXTERNAL REFERENCES

[M.G.L. c. 41, §§ 35 and 54](#) [M.G.L. c. 44, § 53](#) [M.G.L. c. 60, § 2](#)

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

Massachusetts Municipal Auditors' and Accountants' Association: [Accounting Manual](#)

SENIOR TAX WORK-OFF

Applies to:	<ul style="list-style-type: none"> ▪ Senior Center Director, Board of Assessors, Principal Assessor, and Treasurer/Collector job duties ▪ Department heads in the assignment and reporting of participants’ work hours ▪ Senior property owners who apply for and are assigned work-off duties
Scope:	<ul style="list-style-type: none"> ▪ Work-off application process ▪ Work duty assignment and tracking of hours ▪ Procedures for abating the tax liability and reporting the compensation
Date:	Adopted by the Select Board on [Date]

PURPOSE

To cost-effectively augment the Town’s service capacity while simultaneously providing a degree of tax relief to senior citizens, this policy lays out guidelines for a program that allows senior property owners to reduce their tax liability by performing in-kind work for the Town.

POLICY

The Senior Center Director manages a program that provides eligible, senior property owners with the opportunity to perform operational tasks for the Town for the purpose of reducing their outstanding tax liability by up to \$2,000⁹ annually. The program is run on an annual basis, and therefore, any interested current or prospective participants must apply or reapply each year.

Because the program’s main purpose is to assist seniors having difficulty paying their property taxes and its spaces are limited, the Town gives preference to applicants with household incomes under \$45,000. Even so, the Town encourages all interested seniors to apply regardless of income because that threshold will be waived if there are fewer than 30 applicants.

The Town will match participants with job duties that best suit their qualifications. Departments to which participants may be assigned include the Senior Center, Library, Assessors, Town Clerk, Town Administrator, Public Works, Building, Conservation, Planning, and School. Examples of possible work duties/areas are data entry, transfer station swap shop, town hall receptionist, departmental office assistant, building maintenance, and assisting in school classrooms. This program is not considered regular employment, and any work completed is not eligible for unemployment benefits.

In accordance with procedures laid out in Section D below, the Board of Assessors will abate the program participants’ tax liability by the appropriate amount once they have completed their work hours for the fiscal year.

A. Qualifications for Participation

The program year runs from the first week of April to the first week of the following March. To qualify, an applicant must be a Southborough resident aged 60 years or older at the time of application and must own and occupy the property with the outstanding tax liability.

⁹ The Town’s most recent policy set the maximum abatement at \$1,500, but there is an option to increase the maximum to \$2,000 effective in FY2025 thanks to “An Act to Improve the Commonwealth’s Competitiveness, Affordability and Equity,” which was signed into law on October 4, 2023. Provisions in this policy draft have been presumptively adjusted upwards, including the program’s total number of hours to be worked annually.

The applicant must agree to complete 133.3 hours of work during the program year. Each hour worked will be credited at the Massachusetts minimum wage, which is \$15.00 as of 2024. This calculation results in the maximum allowed abatement of \$2,000.

B. Submission requirements and deadlines

The Senior Center Director will ensure that applications and W-4 forms are made available on the Town's website and at the Senior Center and Assessor's Office by the first week of March. The Senior Center will begin accepting applications on April 1 (or the first business day of April, if the 1st falls on a weekend or holiday). Applications must be submitted in-person or by proxy at the Senior Center, where staff will date-stamp them upon receipt. In addition to a completed application, applicants should bring the following documents with them in a sealed envelope:

- Copy of the tax bill for the property to be abated
- Completed W-4 form
- If household income is less than \$45,000: Proof of income from Social Security, pensions, and investment income

By April 15, the Senior Center Director will deliver all the received applications and their associated documents to the Assessor's Office for staff there to validate the information provided, including income and residence. Whenever designated staff in the Senior Center and Assessing Offices are in possession of the applications and their associated documents, they will treat them with the strictest confidence and store them in locked file cabinets within their respective offices.

Applications received after April 15 will only be reviewed for the program if there are still some unfilled work assignments.

C. Filling of available positions

Once the Assessing Office has verified the applicants' information, the Principal Assessor will return the application documents to the Senior Center to begin the process of matching participants with work assignments. The Senior Center Director will accept for the program applicants with household incomes under \$45,000 in the order of receipt, followed by applicants with higher income levels also in the order received.

Several Town departments will make available positions that require varying skills. The Senior Center Director and department heads will coordinate the assignment of participants to job tasks for which they are deemed qualified. Each applicant that is qualified for one of the 30 available slots will be matched with the appropriate position. If an available match is not found by June 1, then the applicant will be removed from the list, and the Town will move to the next available qualified applicant.

If an accepted participant is unable to complete the total number of hours within the required time period, the Town reserves the right to replace that participant with another applicant from the waiting list to complete the remaining available hours. Participants will receive tax abatements that correspond with the number of hours they have completed.

D. Processing Abatements and Reporting Compensation

On a monthly basis, participating department heads will send an email to the Senior Center Director to report the number of hours worked by their respective program participants, and the Director will update a database that tracks the running totals of work hours for all of them.

Each year no later than March 7, the Senior Center Director will provide the Principal Assessor and Treasurer/Collector with reports for each participant showing the total hours worked under the program. The Principal Assessor will then calculate the earned abatements for approval by the Board of Assessors. Once approved, the Principal Assessor will submit abatement certificates to the Treasurer/Collector and Town Accountant no later than March 15.

The Treasurer/Collector will credit the abated amount (less any federal and Medicare taxes withheld) to each participant's tax liability by issuing a check, which will be retained by the Treasurer/Collector and applied to the participant's real estate taxes. The participant will not receive any payment. Instead, the net earned abatement amount will be shown on the last quarterly tax bill in April as a reduction to the property tax.

Every January, the Treasurer/Collector will submit W-2 reports to the Internal Revenue Service for all the participants who received work-off abatements during the just-ended calendar year. Under Massachusetts law, abatements earned in this program are not considered income or wages for state tax purposes, but they are subject to federal taxes. It is the participant's responsibility to report this on a tax return.

SOUTHBOROUGH REFERENCES

Policies: Reconciliations

EXTERNAL REFERENCES

[M.G.L. c. 59, § 5K](#)

[M.G.L. Chapter 50 of the Acts of 2023](#)

DLS (DLS) Informational Guideline Release 2021-20: [Senior Citizen and Veteran Property Tax Work-off Abatement Programs](#)

DLS *City & Town* newsletter, article in the November 2, 2023 edition: [Ask DLS: Tax Reform Legislation](#)

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

TAILINGS	
Applies to:	<ul style="list-style-type: none"> ▪ Treasurer/Collector, Town Accountant, and all department heads job duties ▪ Payees of Town disbursements
Scope:	Management of uncashed checks, including notifying payees, handling claims, and escheating unclaimed funds to the general fund
Date:	Adopted by the Select Board on [Date]

PURPOSE

To minimize the negative impact of uncashed checks on cash position certainty, to provide appropriate opportunities for payees to claim uncashed checks, and to properly recover unclaimed funds for the Town's general fund, this policy sets guidelines for the resolution of tailings.

BACKGROUND

A tailing is a form of unclaimed property that results from a disbursed but uncashed check, and it represents a debit liability on the Town's books. It can arise from any treasury check issued to pay an employee or vendor, refund a municipal tax or charge, or pay any other municipal obligation. **Having accepted M.G.L. c. 200A § 9A*, the Town can expedite tailing resolutions and escheat to the Town's general fund the funds that remain unclaimed at the completion of the process rather than surrendering the money to the state, as would be required otherwise. This policy sets forth the steps that must be taken to properly manage tailings under § 9A.

POLICY

Periodically throughout the year, the Treasurer/Collector, relevant department heads, and Town Accountant will work together to resolve accumulated tailings, either by prompting actual pay outs or through escheatment to the Town.

A. Monthly Management of Tailings

As part of the monthly cash reconciliation and under the direction of the Treasurer/Collector will review the accounts payable bank accounts online to determine which checks have been cashed by recipients and update their status in Munis. Following this, the Treasurer/Collector will run a Munis report of all checks outstanding 30 days or more after issuance and email the department head associated with each of them to follow up with the payee. The department head will attempt to contact the payee by phone to determine why the check has not been cashed. For all checks still outstanding two weeks after notices to departments, the Assistant Treasurer/Collector will send an uncashed check notice to the payees at their last known addresses.

Every month, the Assistant Treasurer/Collector will also identify all checks that are uncashed one year after being issued and notify the bank to stop payment. At this point, the checks may still be claimed by the payees but will require reissuance. The Treasurer/Collector will provide a report of the stop-paid checks to the Town Accountant, who will then record the funds as abandoned property liability in the general ledger.

B. Yearly Review

At least once a year, the Treasurer/Collector will review the accumulated inventory of stop-paid tailings and do the following:

1. List the payee names on the Town's website for a minimum of 60 days under the heading: "Notice of names of persons appearing to be owners of funds held by the Town of Southborough and deemed abandoned." This posted notice will detail the process to claim funds and state a deadline for making a claim that is not less than 60 days after the initial posting date of the notice on the website.
2. For all checks still unclaimed after the website deadline, publish in *The MetroWest Daily News* a notice in the same form as the website posting but stating a new claim deadline not less than 60 days after the publication date.
3. For checks of \$100 or greater that remain uncashed after the publication deadline, publish a second notice in the same newspaper with the same language as the previous except with a deadline for claiming the funds at least one year after the new publication date.
4. Schedule a calendar prompt one year after the second publication date to review all the published checks again. When the prompted date occurs, notify the Town Accountant of all those that are still unclaimed at that time.

C. Check Claiming

If a payee submits a claim to the Treasurer/Collector within the given deadline, or at any time before the funds are escheated, the Treasurer/Collector will review the claim and make a determination as to its validity.

- If the claim is deemed valid, the Treasurer/Collector will submit the amount to the Town Accountant for inclusion on the next disbursement warrant.
- If the claim is deemed invalid, the Treasurer/Collector will segregate the funds into a separate, interest-bearing account and notify the claimant of this action within 10 days. Within 20 days after receiving this notice, the claimant may file an appeal at Westborough District Court (or at Worcester County Superior Court if the amount is \$50,000 or more).
- If the court rules for the claimant, the Treasurer/Collector will submit the tailing amount, along with any interest, to the Town Accountant for inclusion on the next disbursement warrant after receiving the court order.
- If the court rules against the claimant, or if the Treasurer/Collector receives no notice of any court appeal being filed within one year of the Treasurer/Collector's notice to the claimant that the funds were being withheld, the Treasurer/Collector will notify the Town Accountant to escheat the total tailing and interest amount.

D. Escheatment

Upon receipt of a notice from the Treasurer/Collector as described in Sections B and C above, the Town Accountant will escheat the listed funds. This involves reversing the abandoned property liability and recognizing the funds as revenue in the general fund to be available for future appropriation for any public purpose.

SOUTHBOROUGH REFERENCES

Policies: Reconciliations

EXTERNAL REFERENCES

[M.G.L. c. 200A, § 9A](#)

POLICY LOG

Financial Planning

Policy	Adopted	Reviewed	Revised
Annual Budget Process			
Capital Planning			
Debt Management			
Financial Reserves			
Forecasting			
Indirect Costs			
Investments			
OPEB Liability			
Special Purpose Appropriations			

Financial Operations

Policy	Adopted	Reviewed	Revised
Antifraud			
Grants Management			
Procurement Conflict of Interest			
Purchasing			
Reconciliations			
Revenue Turnover			
Senior Tax Work-Off			
Tailings			