

FINANCIAL POLICY MANUAL | TOWN OF SPENCER

A COMMUNITY COMPACT CABINET INITIATIVE

AUGUST 2017



DLS
DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

PREPARED BY:

DLS | Technical Assistance Bureau

100 Cambridge Street, Boston, MA 02114

www.mass.gov/dls



Christopher C. Harding
Commissioner of Revenue

Sean R. Cronin
Senior Deputy Commissioner

August 15, 2017

Adam Gaudette
Town Administrator
Town Hall
157 Main Street
Spencer, MA 01562

Dear Mr. Gaudette,

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

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

Sincerely,

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

Sean R. Cronin
Senior Deputy Commissioner

INTRODUCTION

At the board of selectmen's request, the Division of Local Services Technical Assistance Bureau (TAB) created a set of financial policies for the Town of Spencer. This project was a result of the Community Compact Cabinet (CCC) initiative (www.mass.gov/ccc), whose goal is to encourage the implementation of municipal best practices that promote good governance by fostering efficiency, accountability, and transparency in local government. The adoption of formal financial policies provides instructive guidance and promotes consistency as local officials plan, direct, monitor, and protect municipal assets and resources.

Given Spencer's recent challenges, chief among them being staff turnover throughout the financial offices and continuing fiscal difficulties within the school district, the town sought assistance to strengthen their financial framework by developing comprehensive financial policies.

In FY2013, the Town discovered a \$2M deficit in the Spencer-East Brookfield Regional School District (SEBRSD) budget resulting from misappropriation of funds and general mismanagement by the school administration. The town sought remedy through two separate operational overrides but these were resoundingly defeated by the voters in May 2013 (314-1072) and September 2013 (742-1647). The SEBRSD was forced to make significant budgetary cuts and issue \$3M in deficit bonds to cover the funding gap. As the town and district work to recover from these events, Spencer continues to experience a declining trend in population and student enrollment, escalating costs of providing services to residents, increasing future liabilities, and a growing need to invest in infrastructure and rolling stock.

To fund the FY2018 budget, the town raised approximately \$545,000 in additional revenue through Proposition 2½ and new growth taxation. However, more than 75% of the funds were appropriated to cover increases in the educational budgets. The growth in revenues needed to support town services is insufficient to meet expectations.

Within the past four years, the town has also experienced turnover in its key finance positions, including the principal assessor, town accountant and treasurer/collector. In June 2017, the town administrator announced his resignation after nine years of service. Recent management letters note financial management weaknesses, for which policies have been included in this document, such as reconciliations and departmental turnovers. The board of selectmen recognize that the departure of institutional knowledge, interruption in business continuity, and lack of financial management policies signal the need for a stronger financial framework.

The selection of policies was based on discussions with local officials and their concurrence with the topics TAB considers to be essential guidance. We reviewed the town's body of existing policies as they pertain to financial management. In some cases we provide a policy for which the town has an existing one, such as Revenue Turnover and Investments. The policies included in this manual are intended to supersede Spencer's existing policies only after careful review by local officials. All the policies in the attached manual are presented for the review and approval of the board of selectmen and other applicable local officials, but two will require specific actions by town meeting to be adopted as presented here.

Tax Enforcement: Although Spencer's Treasurer/Collector currently accepts partial payments for tax liens on parcels in tax title, [M.G.L. c. 60, § 62A](#) requires a bylaw to authorize such payments. The tax enforcement policy includes a section on tax title payment agreements, which can only be accepted subsequent to adopting the associated bylaw. As sample language, we suggest:

Article X: Treasurer/Collector

Section 1. Payment Agreements for Properties in Tax Title

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

OPEB: In May 2010, Spencer created a trust fund for other postemployment benefits (OPEB) under [M.G.L. c. 32B, § 20](#), which allowed the town to create a reserve to finance its OPEB liability. However, the statute at that time did not meet OPEB trust fund guidelines established by the

Governmental Accounting Standards Board (GASB), and it was therefore modified by the Municipal Modernization Act. To establish a GASB-compliant OPEB trust, town meeting must reaccept M.G.L. c. 32B, § 20. To make available the options required to meet the investment goals of an OPEB trust, town meeting must also authorize the prudent investor rule as detailed in [M.G.L. c. 203C](#).

One further recommendation is to update Article 2, Section 8 of Spencer's bylaws. The current bylaw, based on [M.G.L. c. 40, § 57](#), allows the town to deny, revoke, or suspend licenses or permits for nonpayment of taxes and other municipal charges older than 12 months based on an annual list. [Chapter 218 of the Acts of 2016](#), known as the Municipal Modernization Act, allows collectors to furnish information to their license and permit granting departments and boards where the delinquency exists for some period less than 12 months, as provided in the municipality's implementation bylaw or ordinance.

All the policies provided here should be considered living documents to be periodically reassessed and modified as conditions change. Incorporated in them are specific provisions local leaders need to consider and decide upon. An example taken from the reserves policy is: "The Town shall set a year-to-year goal of maintaining its free cash in the range of [three to five] percent of the annual budget." In each case, the draft policy has brackets around the decision point with the word(s) in the bracket representing TAB's suggestion based on researched best practices. In these cases, local officials should finalize the decisions and remove the brackets prior to adopting the policies. The drafts also incorporate reference to current contract service providers including Munis. The town should modify their policies when the contractors change.

TOWN OF SPENCER

FINANCIAL POLICIES MANUAL



INTRODUCTION

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

With these policies, the Town of Spencer, through its Board of Selectmen, Finance Committee, Capital Improvement Planning Committee, and employees, commits to the following objectives:

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

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CAPITAL PLANNING

PURPOSE

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

APPLICABILITY

This policy establishes a framework for the charge of the Capital Improvement Planning Committee (CIPC), sets guidelines and expectations for all Town departments in planning for and requesting capital projects, and outlines consensus budgetary goals for the Board of Selectmen, Finance Committee, and Town Administrator.

POLICY

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

The CIPC is charged to oversee Spencer's capital improvement program (CIP). Its membership includes one member each from the Board of Selectmen, Finance Committee, and Planning Board and two at-large citizens. In addition, the Town Administrator and an appointee of the Town Administrator serve ex officio. The CIPC's objectives are to identify and prioritize projects, analyze funding, and create a long-term financial plan achievable within the Town's budget limitations.

A. Definition of a Capital Improvement

A capital improvement is a tangible asset or project estimated to cost over [current = \$10,000; recommended = \$25,000] and to have or to extend the useful life of the capital improvement by [five] or more years. These include:

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

B. Inventory

To support a systematic acquisition and replacement schedule, the Town Administrator will annually update and maintain a detailed inventory of all capital assets, including fleet and other large, durable equipment. The schedule shall include dates built, acquired or last improved, original cost, current condition, expected and remaining useful lifespans, depreciated value, extent of use, and any scheduled replacement or expansion dates.

C. Evaluation of Capital Projects

Only projects that have gone through the CIPC's review process will be included in the multiyear capital plan unless required by an emergency, in which case, a written report explaining the emergency must be provided by the CIPC to the Town Administrator. The CIPC will evaluate and assign point values to each capital request using the criteria below.

Major Considerations		Scoring Range
A.	Departmental Priority Classification	
	1. Mandatory	10
	2. Maintenance	7
	3. Improved Efficiency	5
	4. New Service	2
B.	Risks to Public Safety	
	1. Very High	10
	2. High	7
	3. Medium	5
	4. Low	2
C.	Expected Useful Life (Four years or less score zero)	
	1. 20 or more years	10
	2. 10 – 19 years	5
	3. 5 – 9 years	2
D.	Effect on Operating & Maintenance Costs	
	1. Reduce Costs	10
	2. Costs Unchanged	5
E.	Effect on Town's Revenue (tax base)	
	1. Increase Revenues	10
	2. Revenues Unchanged	5
F.	Availability of State/Federal Grant Moneys (If no, score zero)	
	1. Yes	5
TOTAL SCORE (Maximum 55):		_____

D. Multiyear Capital Plan

The CIPC will annually update and propose for adoption by the Board of Selectmen, Town Administrator, and Finance Committee a [six-year] capital improvement program, including the upcoming fiscal year's capital improvement budget and a [five-year] projection of capital needs and expenditures that details their estimated costs, descriptions, and anticipated funding sources. Throughout the year, the Town Administrator will monitor active capital projects to ensure they remain properly funded and will report any capital plan amendments to the Board of Selectmen. The multiyear capital plan will be published on the Town's website and an original copy deposited with the Town Clerk.

E. Capital Financing

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

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

- Special revenue sources (e.g., grants, revolving funds) shall be evaluated as funding options whenever practical.
- The annual operating costs of each proposed capital project, as well its debt service costs, shall be identified before any long-term, bonded capital project is recommended.
- Short-term debt may be used to fully finance purchases with useful lifespans of less than 10 years.
- Major capital projects, such as new construction or major renovations to existing facilities, may be accomplished through capital or debt exclusions.
- To the extent feasible, all capital projects associated with the Town's enterprise fund operations (i.e., water and sewer) shall be financed from user fees.

F. Capital Project Closeouts

The Town will endeavor to close out all capital projects within six months of completion or discontinuation. The Town Administrator, working with the Town Accountant and department heads, will identify capital project accounts that may be closed out. As the accounts are closed out, the Town Administrator will do the following:

- For bonded projects with residual balances, the Town Administrator and Treasurer/Collector will propose reallocating any balances for other applicable capital projects.
- For projects funded with available revenue (tax levy or reserves) having residual balances, the Town Administrator will propose reallocating the balances for other capital projects or closing them to the appropriate fund surplus.

REFERENCES

[M.G.L. c. 44, § 20](#)

[M.G.L. c. 44, § 33B](#)

Town of Spencer Bylaw Article 5, Section 3 Capital Improvement Planning Committee

Division of Local Services Guidance: [*Presenting and Funding Major Capital Projects*](#)

EFFECTIVE DATE

This policy was adopted on [date].

DEBT MANAGEMENT

PURPOSE

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

APPLICABILITY

This policy applies to the Board of Selectmen, Town Administrator, and Finance Committee in their budget-related duties and to the Town Accountant's and Treasurer/Collector's debt reporting and management responsibilities.

POLICY

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

A. Debt Financing

In financing with debt, the Town will:

1. Issue long-term debt only for purposes that are authorized by state law and qualify for tax-exempt bonds and only when the financing sources have been clearly identified.
2. Use available funds to the greatest extent possible to reduce the amount of borrowing on all debt-financed projects.
3. Confine long-term borrowing to capital improvements and projects that cost at least [\$50,000] and that have useful lifespans of at least [10] years or whose lifespans will be prolonged by at least [5] years.
4. Refrain from using debt to fund any recurring purpose, such as current operating and maintenance expenditures.
5. Consider using revenue bonds, special assessment bonds, or other types of self-supporting bonds instead of general obligation bonds whenever possible.
6. For the enterprise funds, set user fees to cover capital costs to the extent practicable.

B. Debt Limits

The Town will adhere to these debt parameters:

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

C. Structure and Term of Debt

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

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

D. Bond Refunding

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

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

E. Protection of Bond Rating

To protect its bond rating, the Town will:

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

F. Reporting

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

2. The Town Accountant will include an indebtedness summary as part of a report on receipts and expenditures in Spencer's Annual Town Report.

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

DLS Guidance: [*Understanding Municipal Debt*](#)

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

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

EFFECTIVE DATE

This policy was adopted on [date].

FINANCIAL RESERVES

PURPOSE

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

APPLICABILITY

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

POLICY

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

A. Free Cash

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

The Town shall set a year-to-year goal of maintaining its free cash in the range of [three to five] percent of the net operating revenues. To achieve this, the Town Administrator will propose budgets with conservative revenue projections, and department heads will carefully manage their appropriations to produce excess income and budget turn backs. Further, budget decision makers will avoid fully depleting the Town's free cash in any year, so that the succeeding year's calculation can begin with a positive balance. Moreover, as much practicable, the Town will limit its use of free cash to funding one-time expenditures (such as capital projects, snow and ice deficits, or emergencies) and will appropriate any excess to reserves or to offset unfunded liabilities.

B. Stabilization Funds

A stabilization fund is a reserve account allowed by state law to set aside monies to be available for future spending purposes, including emergencies or capital expenditures, although it may be appropriated for any lawful purpose. Prior to the adoption of this policy, the Town established four stabilization funds as detailed below.

General Stabilization: The Town will endeavor to maintain a minimum balance of [five] percent of net operating revenues in its general stabilization fund. The Town will appropriate annually a minimum of [1] percent of net operating revenues to the general stabilization fund until the target minimum balance is met. Withdrawals from general stabilization should only be used to mitigate emergencies or other unanticipated events that cannot be supported by current general fund appropriations. When possible, withdrawals of funds should be limited to the amount available above the [five] percent minimum reserve target level. If any necessary withdrawal drives the balance below the minimum level, the withdrawal should be limited to [one-third] of the general stabilization fund balance. Further, the Town Administrator with the Board of Selectmen and Finance Committee will develop a detailed plan to replenish the fund to the minimum level within the next [two] fiscal years.

Special Purpose Stabilization Funds: Spencer has three special purpose stabilization funds: capital, land acquisition, and building. The Town will appropriate annually to these funds so that over time they achieve target balances sufficient to cover cash outlays for capital needs, with a minimum of [one-half] percent of general fund net operating revenues directed to the capital stabilization fund. Doing so enables Spencer to pay outright for moderate-range capital and other maintenance expenditures and thereby preserve debt capacity for major, higher-dollar purchases or projects. This approach balances debt with pay-as-you-go practices and protects against unforeseen costs.

C. Retained Earnings

The Town has two enterprise funds: water and sewer. By accounting for the revenues and expenditures of each of these operations in individual funds segregated from the general fund, the Town can identify their true service delivery costs—direct, indirect, and capital—and recover these through user fees. Under this accounting, the Town may reserve each operation’s generated surplus (referred to as retained earnings).

For each enterprise fund, the Town will maintain a reserve amount at [20] percent of the operation’s total budget, at minimum, but any reserve may be significantly higher if major infrastructure improvements are necessary. These reserves shall be used to provide rate stabilization and to fund major, future capital projects. To maintain the target reserve levels for each enterprise requires the superintendents of the water and sewer operations to periodically review, and when necessary, adjust user rates.

D. Overlay Surplus

The overlay is a reserve the Town uses to offset uncollected property taxes and other unrealized revenues resulting from property tax abatements and exemptions. At the conclusion of each fiscal year, the Board of Assessors will submit to the Town Administrator and Town Accountant an update of the overlay reserve with data that includes, but is not limited to, the gross balance, potential abatement liabilities, and any transfers to surplus. If the balance in the overlay reserve exceeds the amount of potential liabilities, the Board of Selectmen may request that the Board of Assessors vote to declare those balances surplus and available for use in the Town’s capital improvement plan or any other one-time expense.

REFERENCES

[M.G.L. c. 40, § 5B](#)

[M.G.L. c. 59, § 25](#)

[M.G.L. c. 44, § 53F½](#)

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

DLS Informational Guideline Releases 08-101: [Enterprise Funds](#); 16-104: [Overlay and Overlay Surplus](#)
and 04-201: [Creation of Multiple Stabilization Funds](#)

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

EFFECTIVE DATE

This policy was adopted on [date].

FORECASTING

PURPOSE

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

APPLICABILITY

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

POLICY

A. Revenue Guidelines

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

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

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

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

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

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

This policy further entails the following expectations regarding revenues:

- The Assessing Department will maintain property assessments for the purpose of taxation at full and fair cash value as prescribed by state law.
- The Town Administrator will review departmental fee schedules and propose adjustments when needed to ensure coverage of service costs at least once every [three] years.
- The Building/Construction Department will notify the Board of Selectmen of any moderate-to-large developments that could impact building permit volume.
- Department heads will strive to seek out all available grants and other aid and will carefully consider any related restrictive covenants or matching requirements (both dollar and level-of-effort) to determine the cost-benefit of pursuing them.
- Revenue estimates will be adjusted throughout the budget cycle as more information becomes available.
- To the extent feasible, the water and sewer commissioners will set enterprise user fees sufficient to cover all fiscal year operating and capital improvement costs and thereby minimize any general fund subsidy.

A. Expenditure Guidelines

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

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

B. Financial Forecast Guidelines

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

To ensure the Town's revenues are balanced and capable of supporting desired levels of services, forecasts for property taxes, local receipts, and state aid will be conservatively based on historical

trend analyses and will use generally accepted forecasting techniques and appropriate data. To avoid potential revenue deficits, estimates for local receipts (e.g., inspection fees, investment income, license fees) should generally not exceed [90] percent of the prior year's actual collections without firm evidence that higher revenues are achievable.

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

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

REFERENCES

[M.G.L. c. 44, § 20](#)

[M.G.L. c. 44, § 53A](#)

[M.G.L. c. 44, § 53A½](#)

[M.G.L. c. 44, § 63](#)

[M.G.L. c. 44, § 63A](#)

Town of Spencer policies on Capital Planning, Debt Management, Indirect Cost Allocation, and Financial Reserves

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

DLS Bulletin 2013-01B: [Bond Premiums and Debt Exclusions](#)

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

EFFECTIVE DATE

This policy was adopted on [date].

INDIRECT COST ALLOCATION

PURPOSE

To ensure all indirect costs associated with the Town's water and sewer enterprise funds are allocated in a manner that is reasonable and equitable, reflects true shared costs, and is easily replicable from year to year, this policy provides guidelines for calculating, allocating, and reviewing those costs.

As enterprise funds, the accounting for these utilities is recorded and managed separately from the general fund. These operations have separate financial statements so that their revenues and expenses are not commingled with those of all other governmental activities. Consolidating each program's direct and indirect costs, debt service, and capital expenditures into its own distinct, segregated fund allows the Town to demonstrate to the public the true, total cost of providing the particular utility.

APPLICABILITY

This policy applies to the Town Administrator, Town Accountant, Water Superintendent, and Sewer Superintendent.

POLICY

As part of the annual budget process, the Town Administrator and Town Accountant will calculate the indirect costs to the general fund of the Town's two enterprise operations and will review the calculations with the Water and Sewer Superintendents. The calculations will take into account the given service's personnel expenses budgeted in the general fund, as well as the enterprise-related expenses of the Town departments that provide administrative services to that operation, which include the Town Administrator, Town Accountant, Treasurer/Collector, Human Resources, Legal Services, and Information Technology departments.

The Town Accountant will calculate indirect costs using the most recent fiscal year's appropriations and based on one or more of the following methodologies: actual, transactional, estimated support, and proportional (as outlined on the next page). The following expenses shall be included in the calculations:

- Benefits for active and retired employees, including insurances, Medicare tax, unemployment, and workers' compensation
- Pension Costs
- Vehicle insurance
- Property insurance
- Audit services
- Actuarial services
- Administrative costs
- Other costs that may be considered and agreed to, such as: printing, postage, materials, supplies, software, infrastructure, and fuel

The Town Accountant will track and record operating transfers between the relevant funds.

The Town maintains an agreement with the Water Commissioners and Sewer Commissioners outlining the calculation of indirect costs based on the *proportional method*. The Board of Selectmen, together with the Commissioners, will review and readopt this agreement every five years to reflect changes in general fund expense categories and calculation methods.

Options for Calculating Indirect Costs

1. **Actual cost** uses specific schedules to provide documentation of indirect costs, which generally include debt service and life, health, and property insurances.
2. The **transaction-based** method is calculated based on the number transactions attributed to a service as a percentage of the whole. For example, the number of bills issued by the treasurer/collector for sewer service as a percentage of the total bills issued. This percentage is applied against the Treasurer/Collector's total budget, including health and life insurance, Medicare, retirement and any worker's compensation attributable to the department.

$$\frac{\text{Number of transactions for the utility department}}{\text{Total number of transactions processed by the department}} \times \frac{\text{Total budget plus benefits of department processing transactions for the enterprise}}{\text{Total budget plus benefits of department processing transactions for the enterprise}} = \text{Indirect Departmental Salaries}$$

3. A department or official may be able to provide a reasonable **estimate of support**, or estimate of the average time spent to support a particular service. For example, the Town Administrator estimates that he spends on average four hours weekly, or 10 percent of his time, on sewer-related activities (e.g., board meetings, sewer commitment/billing, administration of grants and clerical tasks). This percentage is applied against the department or official's salary and benefits, including health and life insurance, Medicare, retirement and any worker's compensation.

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

Any department or official's expenses related to a given enterprise's activities are charged directly to that enterprise budget.

4. The **proportional** method is a straightforward calculation of the enterprise department's direct budget (net of debt) as a percentage of the gross general fund (net of debt) and enterprise fund (net of debt) budgets. This percentage is applied against a town department's budget, including employees' benefits, that provides support to the enterprise department.

REFERENCES

Town of Spencer Agreement for the Reimbursement of Indirect Operating Costs

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

EFFECTIVE DATE

This policy was adopted on [date].

INVESTMENTS

PURPOSE

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

APPLICABILITY

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

POLICY

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

Through this policy, the Town accepts the allowable investment instruments, diversification principles, and investment restrictions regarding short- and long-term funds allowed by state statutes, as updated by [Chapter 218 of the Acts of 2016](#) (the Municipal Modernization Act) and as published by the Massachusetts Collectors & Treasurers Association (MCTA). The latest MCTA guidance is included in the appendix of this policy manual. (Note: Section 94 of Chapter 218 of the Acts of 2016 amends current law to permit investment in certificates of deposit for up to three years. The current MCTA guidance does not reflect the updated law.)

A. Investment Objectives

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

- To preserve capital, the Treasurer/Collector will mitigate credit and interest rate risks by prudently selecting and diversifying investment instruments and depository choices.
- The Treasurer/Collector will ensure the overall investment portfolio remains sufficiently liquid to meet all reasonably anticipated operating requirements. Since all possible cash demands cannot be anticipated, the Treasurer/Collector will carry out investment activities

in a manner that provides for meeting unusual cash demands without liquidating investments and thereby potentially forfeiting accrued interest earnings and losing principal.

- The Treasurer/Collector will manage all investments so as to achieve a fair market average rate of return, taking into account safety and liquidity constraints as well as all legal requirements.

B. Risk Tolerance

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

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

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

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

C. Ethics

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

D. Relationship with Financial Institutions

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

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

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

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

*I _____, as Representative of _____
have reviewed this investment policy and will manage the Towns funds under my
control in accordance with this policy.*

Investment Advisor

Date

E. Reporting Requirements

The Treasurer/Collector will assess investment activity and keep the Board of Selectmen and Town Accountant apprised of any major changes by providing a report of investment activity annually or

more often as needed. The investment activity report shall incorporate all of the Town's investment funds and include the following information at minimum:

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

REFERENCES

[M.G.L. c. 29, § 38A](#)

[M.G.L. c. 44, § 54](#)

[M.G.L. c. 44, § 55](#)

[M.G.L. c. 44, § 55A](#)

[M.G.L. c. 44, § 55B](#)

[M.G.L. c. 167, § 15A](#)

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

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

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

Massachusetts Collectors & Treasurers Association Investment Policy Statements (see Appendix)

EFFECTIVE DATE

This policy was adopted on [date].

OTHER POSTEMPLOYMENT BENEFITS LIABILITY

PURPOSE

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

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

APPLICABILITY

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

POLICY

The Town of Spencer 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. As part of this long-range plan, the Town established an OPEB Trust Fund, which allows for long-term asset investment at higher rates of return than those realized by general operating funds. The Town will also periodically assess strategies to mitigate its OPEB liability. This involves evaluating the structure of offered benefits and their cost drivers while at the same time avoiding benefit reductions that would place undue burdens on employees or risk making the Town an uncompetitive employer.

A. Accounting for and Reporting the OPEB Liability

The Town Accountant will obtain actuarial analyses of the Town's OPEB liability every two years and will annually report the Town's OPEB obligations in financial statements that comply with the current guidelines of the Governmental Accounting Standards Board (GASB). The Board of Selectmen will ensure the Town's independent auditor reviews compliance with this policy's accounting, reporting, and investment provisions as part of its annual audits.

B. Trust and Trustees

To manage and invest the OPEB fund, the Town will maintain an irrevocable trust administered by a board of trustees consisting of the Town Accountant, Treasurer/Collector, one Selectman, and two Select Board designees. The Treasurer/Collector will serve as trust custodian and be bonded in sufficient amounts to protect fund assets.

C. Mitigation

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

D. Investment

The trustees, as fiduciaries, will invest the fund's assets for the primary purpose of enhancing the value of the fund while minimizing the risk of large losses. When the fund reaches [\$100,000], the Town will invest the OPEB trust with the [State Retiree Benefits Trust Fund](#).

E. OPEB Funding Strategies

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

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

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

REFERENCES

[M.G.L. c. 32B, § 20](#)

[M.G.L. c. 32B, § 20A](#)

[M.G.L. c. 44, § 54](#)

[M.G.L. c. 44, § 55](#)

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

Town of Spencer Investment Policy

GASB Statement 75, July 2017: [Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions](#).

GASB Statement 74, July 2016: [*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*](#)

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

EFFECTIVE DATE

This policy was adopted on [date].

ANTIFRAUD

PURPOSE

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

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

APPLICABILITY

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

POLICY

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

A. Definitions

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

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

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

Fraud or other irregularity refers but is not limited to:

- Any dishonest or fraudulent act
- Forgery or alteration of any document or account

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

B. Antifraud Responsibilities

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

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

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

C. Disclosure

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

PROCEDURES

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

1. Procedure and methods for reporting suspicions of fraud, abuse and other irregularities

2. Assignment of responsibilities in response to reported suspicions
3. Employee protections from retaliation
4. Security of investigation documents and other evidence
5. Treatment of anonymous allegations and false allegations (intentional and unintentional)
6. Personnel disciplinary actions
7. Responsibilities around media contact
8. Training, education and awareness
9. Disclosure requirements and protocols

REFERENCES

[M.G.L. c. 149, § 185](#)

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

EFFECTIVE DATE

This policy was adopted on [date].

PROCUREMENT CONFLICT OF INTEREST

PURPOSE

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

APPLICABILITY

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

POLICY

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

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

A. Confidentiality during the Bid Evaluation Process

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

Departmental employee must:

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

The Town Administrator must:

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

B. Conflict of Interest in Procurement

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

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

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

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

Any person with a conflict as described above will 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 goods or services the Town may expect from that individual.

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

The following measures shall 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 the 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 will 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.

Departmental employee must:

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

The Town Administrator must:

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

C. Audit

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

REFERENCES

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

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

Town of Spencer Procurement Chapter 30B Policy

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

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

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

EFFECTIVE DATE

This policy was adopted on [date].

RECONCILIATIONS

PURPOSE

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

APPLICABILITY

This policy applies to the Town Accountant, Treasurer/Collector, or their designees, and all departments that have accounts receivable responsibilities [(e.g., Police, Recreation)].

POLICY

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

A. Cashbook Reconciliation

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

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

B. Payroll Withholdings Reconciliation

Payroll withholdings include federal and state taxes, child support and other wage assignments for legal obligations, deferred compensation, optional insurances, association dues, and other employer-sponsored options, which are all itemized in separate general ledger accounts. At the conclusion of each pay cycle, the Treasurer/Collector forwards a summary report of employee and employer withholdings to the Town Accountant to be recorded in the general ledger.

To reduce the risk to the Town for liabilities in excess of withholdings, the Treasurer/Collector will conduct a monthly reconciliation of the payroll withholdings to their corresponding accounts payable and identify any discrepancies. The Treasurer/Collector will provide the results of these activities to the Town Accountant, to make any necessary changes or adjustments.

C. Accounts Receivable Reconciliation

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

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

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

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

The record-keeper will forward a copy of the internally reconciled accounts receivable balances to the Town Accountant.

D. 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 – C 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.

The Town Accountant will review the payroll withholdings reconciliation report provided by the Treasurer/Collector against the general ledger and make corrections to the ledger as needed.

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

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

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

E. Time frames and Documentation

All record-keepers 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 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 Town Accountant and the record-keeper. In a given month, if 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 collectively submit the reconciliation worksheets to the Town Administrator by each month's end.

F. Audit

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

REFERENCES

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

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

EFFECTIVE DATE

This policy was adopted on [date].

REVENUE TURNOVER

PURPOSE

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

APPLICABILITY

This policy pertains to all cash, check, credit card, and other forms of payment received by all Town departments for taxes, excise, fees, federal and state government receipts, and charges. It applies to all individuals within each department assigned responsibility for handling payments.

POLICY

The head of each department that receives payments is responsible for instituting and employing internal controls designed to ensure all receipts are recorded accurately, kept secure from loss or theft, and turned over timely to the Treasurer/Collector. Every individual responsible for handling payments will be bonded in sufficient amounts to indemnify the Town from potential damages. Each department must turn over at least weekly and must do so immediately whenever receipts total [\$100] or more. At month-end, departmental staff will turn over all revenues no later than [11:00 am] on the last business day of the month.

PROCEDURES

A. Receiving Payments

Using prenumbered receipt books supplied by the Treasurer/Collector, departmental staff must issue a receipt for every collection received, even when the payer attempts to refuse it. Employees in the Treasurer/Collector's office receiving taxes and other collections from the public need only issue receipts for cash payments. However, all departmental staff without exception must identify cash payments as such in their receipt books. All staff must immediately endorse each check "For Deposit Only" using a stamp or by handwriting. Every department receiving payments shall secure them in a locked cashbox or safe until completing a turnover to the Treasurer/Collector.

Each department head is responsible for overseeing the processing, recording, record retention, and turning over of collected receipts to the Treasurer/Collector. To the extent practicable, separate individuals should be tasked with receiving payments and turning receipts over to the Treasurer/Collector.

B. Turning Over Revenues

Departmental staff will create a turnover package by filling out a standard three-part Schedule of Payments to the Treasurer (i.e., the turnover form), obtaining the department head signature, and delivering it with the receipts to the Treasurer/Collector's office. At no time will an employee leave a turnover in the Treasurer/Collector's office unattended.

When the Treasurer/Collector's office has accepted the turnover, the department employee will receive two copies (yellow and pink) of the turnover form signed and dated by the Treasurer/Collector. The department employee will retain the yellow copy on file and is responsible for delivering the pink one to the Town Accountant. The Town Accountant will refuse to accept any turnover form that is not signed the Treasurer/Collector's office.

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

All departments that receive payments should review their monthly revenue reports against their yellow turnover copies to verify that all receipts turned over to the Treasurer/Collector are accurately recorded in the appropriate revenue ledger accounts. Any discrepancy must be reported, in writing, to the Town Accountant immediately.

C. Receiving Turnovers

When presented with a turnover, the Treasurer/Collector staff member will count the receipts in the presence of the remitting department. Any inaccuracies on the turnover form will be corrected and initialed by both parties. If there is a discrepancy that cannot be readily resolved, the Treasurer/Collector's office will refuse the turnover and require the department to resubmit a corrected package. For each accepted turnover, the Treasurer/Collector staff member will sign the turnover form, retain the white copy on file, and return the yellow and pink forms to the departmental employee.

As each turnover is accepted, the Treasurer/Collector's office will record it in the bank deposit package. Until the deposit is completed, the Treasurer/Collector's office must ensure that receipts are secured at all times, either in a cash drawer, or if being held overnight, in a safe. The Treasurer/Collector will ensure that all funds are deposited to the bank within 24 hours. No less than [weekly], the Treasurer/Collector's office will enter and post the receipt data in Munis (i.e., the Treasurer's cashbook).

To the extent practicable, separate individuals should be tasked with 1) receiving the turnovers, 2) recording the revenues in the Treasurer/Collector's cashbook, and 3) depositing the money in the bank.

The Treasurer/Collector will provide the Town Accountant with a weekly report of all turnovers processed (i.e., the Schedule of Receipts report).

D. Reconciliation

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

E. Audit

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

REFERENCES

[M.G.L. c. 41, § 35](#)

[M.G.L. c. 41, § 57](#)

[M.G.L. c. 60, § 57A](#)

Town of Spencer Reconciliations Policy

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

EFFECTIVE DATE

This policy was adopted on [date].

TAX ENFORCEMENT

PURPOSE

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

APPLICABILITY

This policy applies to the job duties of the Treasurer/Collector, including services contracted through the Town's private deputy collector, tax title attorney, auctioneers, or other related professionals. Tax enforcement applies to all Town of Spencer real estate property owners whose taxes are not exempt.

POLICY

The Town of Spencer intends to timely pursue all legal methods to collect taxes from delinquent property owners with the goal of achieving a target [98 percent] property tax collection rate by fiscal year-end. The Town will also periodically pursue foreclosure actions with the primary objective of receiving all monies due. Any costs for collection accrue against the taxpayer and may add to the property lien. Delinquent taxes represent a lien on property and remain in effect until all taxes, interest, and fees have been paid in full.

A. Demands

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

B. Tax Taking

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

The Treasurer/Collector will send at least one enforcement letter to delinquent property owners as a courtesy to potentially avoid a tax taking advertisement. If this does not result in full remittance by [September 1st], the Treasurer/Collector will publish a Notice of Tax Taking in a local newspaper and post the notice in two or more convenient, public places. The Town customarily publishes in the Worcester Telegram & Gazette, and posts notices at the Library and Town Hall and on the

Collector's webpage. From this point onward only cash, certified check, or cashier's check are acceptable forms of payment.

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

C. Subsequent Taxes

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

D. Interest, Fees, and License Revocation

All delinquent taxpayers are subject to charges, which are added to their accounts by the Treasurer/Collector. These charges include interest accrued to the date of taking, advertising fees, certified mailing costs, legal fees, and Instrument of Taking recording fees.

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

E. Tax Title Payment Agreements

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

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

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

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

F. Redemption or Foreclosure

The primary policy goal of the Town's foreclosure process is to receive the outstanding amounts owed. At least once every year, the Treasurer/Collector will review all tax title properties that are older than 180 days and do not have payment agreements or bankruptcy recordings. From these, the Treasurer/Collector will identify all properties of significant value to process them for potential foreclosure in Land Court. To do this, the Treasurer/Collector will thoroughly verify the properties' enforcement histories before referring them to the tax title attorney, beginning with those having the largest dollar value of taxes owed.

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

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

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

REFERENCES

[M.G.L. c. 60, § 6](#)
[M.G.L. c. 60, § 53](#)
[M.G.L. c. 60, § 61](#)
[M.G.L. c. 60, § 63](#)
[M.G.L. c. 60, § 79](#)

[M.G.L. c. 60, § 16](#)
[M.G.L. c. 60, § 54](#)
[M.G.L. c. 60, § 62](#)
[M.G.L. c. 60, § 76](#)
[M.G.L. c. 60, § 80](#)

[M.G.L. c. 60, § 50](#)
[M.G.L. c. 40, § 57](#)
[M.G.L. c. 60, § 62A](#)
[M.G.L. c. 60, § 77](#)

Town of Spencer Bylaw Article 2, Section 8-2: Local Licenses and Permits – Failure to Pay Municipal Taxes or Charges

DLS Best Practice: [Enforcing Collections](#)

DLS Informational Guideline Release 05-208: [Payment Agreements and Tax Receivable Assignments](#)

DLS Information Guideline Release on Land of Low Value Foreclosure Valuation Limit updated annually and posted to this [DLS webpage](#).

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

EFFECTIVE DATE

This policy was adopted on [date].

TAX RECAPITULATION

PURPOSE

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

APPLICABILITY

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

BACKGROUND

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

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

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

POLICY

At the Town Administrator’s direction, Spencer’s financial team will annually complete the tax recap process no later than [November 30]. The Treasurer/Collector will provide the tax bill file to the print vendor by [December 10] and mail the actual tax bills by December 31. The Town Administrator will develop a realistic plan and timetable to meet these deadlines and keep the Board of Selectmen apprised of progress.

A. Preparation and Town Meeting

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

- The Board of Selectmen, through the Town Administrator and Town Counsel, will assure the production of a properly written town meeting warrant, such that town meeting voters, under the Town Moderator's oversight, properly authorize annual budget appropriations that are funded by specific revenue sources (e.g., raise and appropriate, free cash, stabilization).
- The Board of Selectmen will ensure that any annual increase in the tax levy does not exceed the maximum amount allowed under Proposition 2½.
- The Town Accountant, Town Administrator, and Board of Selectmen will verify that the proposed budget is balanced.
- The Town Accountant will prepare a schedule of funds available for appropriation by town meeting.
- The Treasurer/Collector and Town Counsel will ensure debt issuance authorizations are proper.
- The Board of Selectmen will ensure that any proposal for a general override, debt exclusion, or capital exclusion is properly presented in the town meeting warrant and, if passed, put to a town-wide referendum.

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

B. Recording Legislative Actions

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

- The Town Clerk will certify all appropriations approved since the last tax rate was set.
- The Town Accountant will reconcile all votes and authorized amounts.
- The Town Clerk, with the Town Accountant's assistance, will enter all town meeting appropriation votes by article into the DLS Gateway system (page 4 of the tax recap).
- From the certified town meeting authorizations, the Town Accountant will complete the following Gateway forms:
 - enterprise receipts and appropriations (Form A-2)
 - revolving funds (Form A-3)
 - free cash used (Form B-1)
 - available funds used (Form B-2)
- If applicable, the Treasurer will prepare the debt exclusion report, including any use of reserved bond premiums (Form DE-1), and report any reserved bond premium amounts used as funding sources (Form B-2).

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

Within [two weeks] of closing the books for the fiscal year, the Town Accountant will continue completing the tax recap by:

- Reporting and documenting all deficits or other expenditures that must be funded, including debt and snow and ice (page 2 of the tax recap)
- Recording the actual amounts received for each type of local receipt (page 3, column (a) of the tax recap)
- Entering estimated local receipts using the revenue projections from the final budget approved at town meeting (page 3, column (b) of the tax recap)

D. Property Value Certification

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

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

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

E. Tax Rate Setting

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

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

F. Review and Submittal to DLS

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

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

G. Tax Commitment Creation

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

REFERENCES

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

Town of Spencer policies on Forecasting and Year-end Closing

EFFECTIVE DATE

This policy was adopted on [date].

YEAR-END CLOSING

PURPOSE

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

APPLICABILITY

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

POLICY

The Town Administrator will hold every department head accountable for timely and accurately completing the year-end tasks applicable to each as outlined in this policy.

No later than May 15, the Town Administrator will email this policy to all department heads as a reminder of year-end expectations. He/she will coordinate the various components of year-end tasks under the time frames and procedures outlined below. All facets of the Town's year-end closing detailed here will be accomplished no later than October 31 each year.

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

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

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

B. Year-end Encumbrances

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

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

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

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

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

D. Year-end Transfers

The Town Accountant, in consultation with the Town Administrator, will pay close attention to any appropriation deficits that may be rectified through line-item transfers. No earlier than May 1, the Town Administrator will notify the Finance Committee and put any necessary transfer request on the Board of Selectmen's meeting agenda(s) for its authorization by majority vote. All transfer requests must be voted by the Finance Committee and Board of Selectmen no later than July 15.

E. Closing the Books

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

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

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

Submissions to DLS will comply with the following time frames:

Town Accountant:

- | | |
|---|--------------|
| ▪ Snow and ice data sheet | September 15 |
| ▪ Combined balance sheet and supporting documents | September 30 |
| ▪ Schedule A | October 31 |

Treasurer/Collector:

- | | |
|------------------------------------|--------------|
| ▪ Statement of indebtedness | August 31 |
| ▪ Treasurer's year-end cash report | September 30 |

Town Accountant and Treasurer/Collector:

- | | |
|---------------------------------------|--------------|
| ▪ Cash reconciliation | September 30 |
| ▪ Schedule of outstanding receivables | September 30 |

REFERENCES

[M.G.L. c. 44, § 33B](#)

[M.G.L. c. 64, § 64](#)

[M.G.L. c. 59, § 5](#)

Town of Spencer policies on Tax Enforcement and Reconciliations

Town of Spencer's Municipal Calendar

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

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

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

EFFECTIVE DATE

The policy was adopted on [date].

APPENDIX

APPENDIX I: POLICY ADOPTION AND REVISION LOG

The Town Administrator will maintain an official record of the policy review and revision dates in this log. The Town adopted a protocol, called “Establishment and Adoption of Policies,” which requires a four-fifths vote of the Board of Selectmen to adopt, amend, or rescind each policy.

All newly elected Selectmen shall be required to acknowledge receipt of the policy manual.

Policy	Adopted	Last reviewed	Amended
Capital Planning	XX/XX/XXXX	XX/XX/XXXX	XX/XX/XXXX
Debt Management			
Financial Reserves			
Forecasting			
Indirect Cost Allocation			
Investments			
Other Postemployment Benefits			
Antifraud			
Procurement – Chapter 30B			
Procurement Conflict of Interest			
Reconciliations			
Revenue Turnover			
Tax Enforcement			
Tax Recapitulation			
Year-end Closing			

APPENDIX II: INVESTMENT POLICY STATEMENT

The policy statement below was created by the Massachusetts Collectors & Treasurers Association for use as a template. It has been modified for the Town of Spencer and is incorporated by reference with this manual's Investment policy.

TOWN OF SPENCER INVESTMENT POLICY STATEMENT

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

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

A. Scope

This section of the IPS applies only to short term operating funds such as general funds, special revenue funds, enterprise funds, bond proceeds and capital project funds. Section two will deal with trust funds, and any other funds with special circumstances such as stabilization funds. A separate Contributory Retirement Board, either local or county, is responsible for the investment of the pension funds.

B. Investment Instruments

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

The Treasurer/Collector may invest in the following instruments:

- Massachusetts State pooled fund: Unlimited amounts (Pool is liquid) The Massachusetts Municipal Depository Trust (MMDT), an investment pool for state, local, county and other independent governmental authorities, is under the auspices of the State Treasurer. It invests in Bankers Acceptances, Commercial Paper of high quality. Bank Certificates of Deposit, Repurchase agreements (Repos), and U. S. Treasury Obligations. It has Federal Deposit Insurance Corporation (F.D.I.C.) pass-through insurance on the CD's up to the standard limits and takes delivery on the Repos and Treasuries. Under Government Accounting Standards Board Regulation (GASB m), it is not considered an uncollateralized product.
- U. S. Treasuries that will be held to maturity: Unlimited amounts (Up to one year maturity from date of purchase)
- U.S. Agency obligations that will be held to maturity. Unlimited amounts (Up to one year maturity from date of purchase)
- Bank accounts or Certificates of Deposit ("CDs") (Up to one year) which are fully collateralized through a third party agreement: Unlimited Amounts
- Bank accounts and CDs (Up to one year) insured by F.D.I.C. up to the coverage limit. All bank accounts and CDs in one institution are considered in the aggregate for the insurance coverage limit. In some cases Banking Institutions carry additional insurance. Depository Insurance Fund (D.I.F.): Contact banking representative for amounts of coverage.

- Unsecured bank deposits of any kind such as other checking, savings, money market, or Certificates of Deposit accounts at Banks that do not fit the above categories. These investments are subject to the following limitations: No more than 5% of an institution's assets and no more than 25% of a municipality's cash may be comprised of unsecured bank deposits. This percentage maybe increased for not more than 30 days during times of heavy collection or in anticipation of large payments that will be made by the Town in the near future. These payments may be for such items as debt service payment or regional school assessments. Their credit worthiness will be tracked by Veribanc, or other bank credit worthiness reporting systems. They will be diversified as much as possible. CDs will be purchased for no more than one year and will be reviewed frequently.
- Money Market Mutual Funds that are registered with the Securities and Exchange Commission that have received the highest possible rating from at least one nationally recognized statistical rating organization and as otherwise referenced in the Massachusetts General Law Chapter 44 Section 55.

C. Diversification

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

D. Authorization

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

E. Restrictions

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

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

F. Legal References

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

II. The Investment of Long Term Funds

A. Scope

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

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

B. Authority

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

C. Investment Instruments

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

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

The Treasurer/Collector may invest in the following instruments:

- U. S. Treasuries that maybe sold prior to maturity: Unlimited amounts (With no limit to the length of maturity from date of purchase)
- U.S. Agency obligations that maybe sold prior to maturity. Unlimited amounts (With no limit to the length of maturity from date of purchase)
- Bank accounts or Certificates of Deposit ("CDs") Unlimited amounts (With no limit to the length of maturity from date of purchase), which is fully collateralized through a third party agreement:
- Bank accounts and CDs (With no limit to the length of maturity from date of purchase) fully insured by F.D.I.C. and in some cases also Depository Insurance Fund of Massachusetts (D.I.F.): All bank accounts and CDs in one institution are considered in the aggregate to receive the insurance coverage limit.
- Unsecured bank deposits of any kind such as other checking, savings, money market, or Certificates of Deposit accounts at Banks that do not fit the above categories. These investments are subject to the following limitations: These investments will be limited to no more than 5% of an institution's assets and no more than 25% of a municipality's cash. This percentage maybe increase for not more than 30 days during times of heavy collection or in anticipation of large payments that will be made by the Town in the near future. These payments maybe for such items as debt service payment or regional school assessments. Their creditworthiness will be tracked by Veribanc, or other bank credit worthiness reporting systems. They will be diversified as much as possible. CDs will be purchased with no limit to the length of maturity from the date of purchase and will be reviewed frequently.
- Common and preferred stock that are listed in the List of Legal Investments.
- Investment Funds that are listed in the List of Legal Investments.
- All other items not separately identified here that are listed in the List of Legal Investments.

D. Standards of Care

The standard of prudence to be used by the Treasurer/Collector shall be the "Prudent Person" standard and shall be applied in the context of managing an overall portfolio. The Treasurer/Collector acting in accordance with written procedures and this IPS, and exercising reasonable due diligence, shall be relieved of personal responsibility

for an individual security's credit risk or market price changes, provided the purchases and sale of securities is carried out in accordance with the terms of this IPS.

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

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

E. Diversification

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

F. Legal References

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

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

III. General Provisions

A. Objective

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

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

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

B. Risk Tolerance

- Credit Risk

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

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

- Custodial Risk

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

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

- Concentration of Credit Risk

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

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

- Interest Rate Risk

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

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

- Foreign Currency Risk

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

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

C. Ethics

The Treasurer/Collector (and Assistant Treasurer) shall refrain from any personal activity that may conflict with the proper execution of the investment program or which could impair or appear to impair ability to make impartial investment decisions. Said individuals shall disclose to the Board of Selectmen any material financial

interest in financial institutions that do business with the Town. They shall also disclose any large personal financial investment positions or loans that could be related to the performance of the Town's investments.

D. Relationship with Financial Institutions

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

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

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

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

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

E. Reporting Requirements

On a quarterly basis, a report containing the following information will be prepared by the Treasurer/Collector and distributed to the Board of Selectmen, Town Administrator, and/or Finance Committee, as appropriate. The quarterly report will include the following information, as a minimum requirement:

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

APPENDIX III: MUNICIPAL CALENDAR

Abbreviations Defined

ATB	Appellate Tax Board
BLA	DLS Bureau of Local Assessment
BOA	DLS Bureau of Accounts
CIPC	Capital Improvement Planning Committee
DESE	Department of Elementary and Secondary Education
DLS	Division of Local Services
EQV	Equalized valuation
MDM	DLS Municipal Data Management
NSS	Net School Spending
SOL	State-owned land
SEBRSD	Spencer-East Brookfield Regional School District
Tax Recap	Tax recapitulation worksheet

July

1	Collector	Mail Annual Preliminary Tax Bills Per M.G.L. c. 59, § 57C , the 1 st and 2 nd quarter bills may be issued in a single mailing.
15	Accountant	Deadline to Process all Prior-Year Unencumbered Expenditures Under M.G.L. c. 44, § 56 , all unencumbered expenses incurred as of June 30 must be recorded and paid as of this date.
15	Pipeline Company	Deadline for Appealing Commissioner's Pipeline Company Valuations to the ATB
15	Telephone and Telegraph Company	Deadline for Appealing Commissioner's Telephone and Telegraph Company Valuations to the ATB
20	BLA	Notification of Changes in Proposed EQVs (even-numbered years only)

August

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

September

15	Assessors	Submit Property Sales Report (recommended date)
15	Accountant	Submit Snow & Ice Data Sheet
30	Accountant and Treasurer	Submit Balance Sheet and other Documents for Free Cash Certification The Accountant and Treasurer coordinate to submit a balance sheet to BOA along with: <ul style="list-style-type: none"> ▪ Statement of Indebtedness ▪ Treasurer's Year-end Cash Report ▪ Cash Reconciliation Form ▪ Schedule of Outstanding Receivables

October

1	Collector	Mail Preliminary Tax Bills for 2nd Quarter Collector mails these bills if the 2 nd quarter bills were not included in the July mailings.
1	Taxpayer	Deadline for Applying to Have Land Classified as Agricultural/Horticultural Land or Recreational Land Under M.G.L. c. 61A, §§ 6 and 8 and c. 61B, §§ 3 and 5 , this is the deadline to apply to the Assessors to have land valued, taxed, and classified as agricultural/horticultural or recreational land in the next fiscal year. Taxpayers who miss this deadline have until 30 days after the mailing of the actual tax bills to apply to the Assessors.
1	Taxpayer	Deadline for Submitting Forest Land Certification and Management Plan As set by M.G.L. c. 61, § 2 , this is the deadline to submit to the Assessors the State Forester's certification and approved management plan to have land classified as forest land for 10 years beginning in the next fiscal year.
15	Assessors and Accountant	Begin Working on the Tax Rate Recapitulation Sheet The Assessors should begin gathering data for the following tax recap pages in order to have enough time for the tax rate to be set and actual tax bills mailed by December 31.
15	Assessors	Submit New Growth, Amended Tax Base Levy Growth, and Final Valuations Reports to BLA (recommended date)

November

1	Taxpayer	Quarterly Tax Bills - Deadline for Paying 2nd Quarter Tax Bill Per M.G.L. c. 59, § 57C , this is the deadline to pay the 2nd quarter tax payment without interest.
1	Selectmen and Assessors	Hold Classification Hearing (recommended date) The Board of Selectmen holds a public hearing at which the Assessors present information to assist it in determining whether to apply uniform or different tax rates to the various classes of real and personal property.
1	Departments	Capital Improvement Requests Due Per Town Bylaw, Article 5, Section 3, all Town boards, officers, and committees will submit capital improvement requests to the Town Administrator.
30	Accountant	Deadline to Submit Schedule A Schedule A reports the town's revenues received, expenditures made, and all other financial transactions done in the previous fiscal year. Failure to file Schedule A to BOA by November 30 may result in the withholding or forfeiture of state aid.
30	Assessors	Submit Tax Recap and all Schedules to BOA

December

1	Town Administrator	Capital Improvement Plan Due Per Town Bylaw, Article 5, Section 3, the Town Administrator will submit capital improvement recommendations to the CIPC.
31	Water/Sewer Commissioners	Deadline for Betterments to be included on Next Year's Tax Bill (M.G.L. c. 80, § 13; c. 40, § 42I and c. 83, § 27)
31	Assessors	Mail 3ABC Forms to Charitable Organizations and Forms of List to Personal Property Owners
15	Collector	Prepare Actual Tax Bills Prepare actual bills for the 3 rd and 4 th quarters and deliver file to the print vendor.
31	Collector	Deadline for Mailing Actual Tax Bills Issue actual tax bills for the 3 rd and 4 th quarters in a single mailing.

January

15	CIPC	CIPC Recommendations Due Per Town Bylaw, Article 5, Section 3, the CIPC will its report to the Town Administrator.
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31 Pipeline Company **Deadline for Pipeline Company to File Form of List with BLA**

February

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| 1 | Taxpayer | Deadline to Pay 3rd Quarter Tax Bill
Per M.G.L. c. 59, § 57C , this is the deadline to pay the 3rd quarter actual tax bill without interest unless the bills were mailed after December 31. If mailed after December 31, the actual tax is due as a single installment on May 1 or 30 days after the bills were mailed, whichever is later. |
| 1 | Taxpayer | Deadline to Apply for Property Tax Abatement
According to M.G.L. c. 59, § 59 , abatements applications are due on February 1 unless actual tax bills were mailed after December 31. In that case, they are due May 1 or 30 days after mailing, whichever is later. |
| 1 | Departments | Budget Requests Due
Per Town Bylaw, Article 4, Section 5, all Town boards, officers, and committees will submit budget requests for the ensuing fiscal year. |
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March

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| 1 | MDM | Notification of Cherry Sheet Estimates for the Following Year (pending action taken by the Legislature)
The cherry sheet is an estimate of 1) receipts: local reimbursement and assistance programs as authorized by law and appropriated by the General Court and 2) assessments: state and county assessments and charges to local governments. MDM posts cherry sheet estimates on the DLS website and updates them at every stage of the state budget process. |
| 1 | Personal Property Owner | Submit Form of List to Assessors
This return is due on or before March 1, but the Assessors may extend the deadline to a date no later than the date abatement applications are due. |
| 1 | Charitable Organization | Submit 3ABC Forms
To be eligible for exemption from taxation for the next fiscal year, a charitable organization must file this form with the Assessors detailing the property held for charitable purposes. It is due on or before March 1, but the Assessors may extend the deadline to a date no later than the date that abatement applications are due. |
| 1 | Telephone and Telegraph Company | Deadline for Telephone and Telegraph Company to File Form of List
BLA may extend the deadline to a date no later than April 1. |
| 1 | SEBRSD | Preliminary SEBRSD Budget
Per District Agreement, the School Committee will submit a preliminary budget at least 15 days prior to adopting the final budget. |

15	SEBRSD	Final SEBRSD Budget Per District Agreement, the School Committee will submit a final adopted budget (with assessments) at least 45 days prior to Annual Town Meeting adopting the final budget.
15	Bay Path	Final Bay Path Vocational Budget Per District Agreement, the School Committee will submit a final adopted budget (with assessments) at least 45 days prior to Annual Town Meeting.

April

1	Collector	Mail 4th Quarter Tax Bills Collector mails these bills if the 4 th quarter bills were not included in the December mailings.
1	Taxpayer	Deadline to Apply for Property Tax Exemptions for Persons, Residential Exemptions, and Small Commercial Exemptions This is the deadline to apply to the assessors if actual tax bills are mailed on or before January 1. If mailed after January 1, taxpayers have 3 months from the mailing date to file exemption applications.
17	Finance Committee	Public Budget Hearing Per Town Bylaw, Article 1, Section 7, the Finance Committee will hold a public budget hearing at least 14 days prior to Annual Town Meeting.
24	Town Meeting	Post Warrants for Annual Town Meeting Per Town Bylaw, Article 1, Section 3, the Town will post the warrant for Annual Town Meeting.
27	Finance Committee	Post Finance Committee Report Per Town Bylaw, Article 4, Section 3, the Finance Committee will distribute its report of recommendations at least four days prior to Annual Town Meeting.

May

1	Taxpayer	Deadline to Pay 4th Quarter Tax Bill without Interest
1	Accountant or Treasurer	Notification of Amount of Debt Due in Next Fiscal Year As required by M.G.L. c. 44, § 16 , the Accountant or Treasurer must notify the Assessors of all debt due in the next fiscal year. The town is required to pay its debts, appropriated or not. Any debt service not covered by appropriations is added to the "Other Local Expenditures" category found on page 2 of the tax recap. It is important the Assessors have this information to avoid setting a tax rate that will raise insufficient revenue to cover the town's expenditures.

First Thursday	Town Meeting	Annual Town Meeting Per Town Bylaw, Article 1, Section 1, Spencer will hold its Annual Town Meeting on the first Thursday in May.
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June

1	Town Clerk	Certify Appropriations The Town Clerk should certify appropriations immediately after town meeting so that the Accountant can set up accounts for every department for the next fiscal year.
1	Town Clerk	Update the Local Officials Directory (LOD) in Gateway The Town Clerk annually updates the LOD with the names and email addresses of any new local officials and with any changes to position titles.
1	Assessors	Determine Valuation of Other Municipal or District Land In any community where land is owned by another community or district, the Assessors value the land for in-lieu-of-tax payments and send a notice of the new valuation in the year following a revaluation year.
1	BLA	Notification of Proposed EQVs (even-numbered years only)
1	BLA	Notification of SOL Valuations (even-numbered years only)
10	BLA	Conclude Public Hearings on Proposed EQVs (even-numbered years only)
15	BLA	Determine and Certify Pipeline Valuations
15	BLA	Determine and Certify Telephone and Telegraph Company Valuations
15	Assessors	Make Annual Preliminary Tax Commitment The Assessors will make the annual preliminary tax commitment by this date to ensure the ability to mail the bills by July 1 st . The commitment must be based on the prior year's net tax on the property and may not exceed, with limited exceptions, 50% of that amount.
20	Assessors	Final Date to Make Omitted or Revised Assessments As required by M.G.L. c. 59, §§ 75 and 76 , if a property was inadvertently excluded or mistakenly underassessed on the warrant for property taxes, it is the Assessor's role to fix the mistake and assess the property correctly. The assessment may not be made later than June 20 of the taxable year or 90 days after the date the tax bills are mailed, whichever is later.
30	Assessors	Close Overlay Surplus to Surplus Revenue

The Assessors may certify any balance in the overlay account in excess of the remaining amount of the warrant to be collected or abated. The transfer from overlay to the overlay surplus account is done on the Assessors' initiative or within 10 days of a written request by the Selectmen.

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| 30 | Taxpayer | Deadline to Apply to Have Land Classified as Forest Land
Per M.G.L. c. 61, § 2 , this is the deadline to apply to the State Forester to have land certified as forest land. |
| 30 | Assessors | Submit Annual Report of Omitted or Revised Assessments to BLA |
| 30 | Assessors | Deadline to Submit Requests for Current Fiscal Year Reimbursements of Exemptions Granted Under the Various Clauses of M.G.L. c. 59, § 5
Assessors have until this date to submit a request to MDM for state reimbursement to offset the tax revenue lost from granted statutory exemptions. The state partially reimburses for these via the cherry sheet. If actual tax bills were mailed late, the reimbursement request deadline is extended to August 20. |

Additional Information

Local Aid Distributions The State Treasurer's office distributes local aid to communities on the last calendar day of every month. The monthly distribution breakdown by community can be viewed on the Treasurer's [website](#) by clicking on the local aid payments report listed under News and Updates.

Due Date Exceptions According to [M.G.L. c. 4, § 9](#), if the date for any statutory action or payment falls on a Sunday or legal holiday, that action may be performed or payment made on the next succeeding business day. This rule also applies to any actions required by or payments due on a Saturday in communities that accepted [M.G.L. c. 41, § 110A](#) permitting public offices to remain closed on that day.

The due dates for any local property tax payment, abatement application, or exemption application are also extended by [M.G.L. c. 59, §§ 57, 57C](#), and [59](#) when municipal offices are closed due to a weather-related or other public safety emergency.

