TOWN OF WAREHAM

FINANCIAL POLICIES | A COMMUNITY COMPACT CABINET INITIATIVE

DECEMBER 2016

DLS
DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

PREPARED BY:

DLS | Technical Assistance Bureau
100 Cambridge Street, Boston, MA 02114
www.mass.gov/dls

Zack Blake, Chief, Technical Assistance Bureau
Marcia Bohinc, Project Manager, Technical Assistance Bureau
Melinda Ordway, Senior Project Manager, Technical Assistance Bureau

DLS
DIVISION OF LOCAL SERVICES
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Michael J. Heffernan
Commissioner of Revenue

Sean R. Cronin
Senior Deputy Commissioner

December 2, 2016

Derek Sullivan
Town Administrator
Memorial Town Hall
54 Marion Road
Wareham, MA 02571

Dear Mr. Sullivan,

I am pleased to present the enclosed set of suggested financial policies for the Town of Wareham 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 our hope that these financial policies provide important guidance and consistency in Wareham's fiscal decisions, as together we seek to build better government for our citizens.

Sincerely,

Sean R. Cronin
Senior Deputy Commissioner

INTRODUCTION

At the request of the board of selectmen, the Division of Local Services Technical Assistance Bureau (TAB) created a set of financial policies for the Town of Wareham. This project was sponsored through 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.

To develop policies for Wareham, we interviewed local officials and examined the town's charter, bylaws, existing policies, and finance-related documents. We also surveyed comparable communities and reviewed professional association guidance to gauge standards and validate recommended practices. The policies provided here represent this cumulative effort and are presented for local review and acceptance.

COMMUNITY PROFILE

Located in southeastern Massachusetts at the head of Buzzards Bay, the Town of Wareham is home to over 22,000 year-round residents in its many distinct villages. The town is recognized for its 54 miles of coastline, numerous working cranberry bogs, and many seasonal festivals that represent the culture and history of the town.

Wareham is governed by a five-member board of selectmen and open town meeting. Appointed by the selectmen, the town administrator manages day-to-day operations. The town provides a full array of services, including police, emergency medical services, library, senior and social services, public works, and water pollution control. Two separate fire districts supply the town's fire and water services. With four public schools, Wareham delivers pre-k through 12th grade education to about 2,500 students, while vocational training is offered through the Upper Cape Cod Vocational Technical School in Bourne. As a measure of relative wealth, the town's per capita income of $20,892 places it second among the 27 communities of Plymouth County and equates to 57 percent of the statewide average of $36,729. Wareham's average single-family tax bill of $2,674 ranked lowest among Plymouth County communities and in the bottom 10 percent statewide. Even with the additional fire district taxes (an average of $508 for residents in the Wareham Fire District or $653 for Onset Fire District), Wareham's single family tax obligation remains the lowest in the county.

In the recent past, Wareham has faced fiscal, economic, and financial management issues. In 2010, amid decreasing property values and state aid, the selectmen authorized department budget cuts, mandatory furlough days for all employees, and layoffs. Vacancies in the town administrator and town accountant positions contributed to a lack of consistent management. This no doubt contributed to the independent auditors' citation of material weaknesses regarding reconciliation procedures and management of the health insurance trust fund in multiple audit years. Capping the adversity, in June 2014, voters rejected a $4.5M override for town and school operating and capital expenses.

Fortunately, Wareham is now exhibiting many positive indicators. Although property values are still down more than 30 percent from the high in FY2008, they have been increasing in each of the past four years. The town's economic base is experiencing a shift in reliance on residential towards commercial, industrial, and personal property, resulting in an almost 40 percent increase in the tax levy over the last 10 years. Due to growth in hospitality services, FY2016 realized a fourfold increase in local option room excises and a 7.5 percent increase in local option meals excises, contributing over $740,000 to the local revenue.

After prior instability among key office holders, the current town administrator and town accountant have been in place for over four years. Additionally, recently enacted budgetary measures have restored reserve balances, considered to be a leading indicator of financial stability. The stabilization fund balance increased from a FY2009 low of $64K to the current $2.5M, while $3.0M in free cash was recently certified. Together, they represent 9.2 percent of the FY2017 general fund operating budget. The latest independent auditor's report noted that all the material weaknesses were resolved, recognized progress on prior-year findings, and added no new findings. But true validation of the town's management and fiscal diligence came with the June 2016 announcement of the town's bond rating increase. In Moody's Investor Services report which promoted the rating from A1 to Aa3, the agency citied the town's strengthened financial position with a trend of operating surpluses, a sizeable tax base with anticipated new growth, a low debt burden and conservative budgetary practices.

Under the town administrator's leadership, local officials have also begun to formalize and implement various municipal best practices to improve Wareham's overall financial condition. By adopting formal policies that promote fiscal stability and reinforce internal controls, local officials will take yet another step to strengthen Wareham's overall financial management operations. These policies are a key component, along with a capital plan, long-range forecast, and transparent and user-friendly budget document, in ensuring public faith in municipal management.

POLICY DEVELOPMENT BACKGROUND

Recognized principles of sound financial management informed the creation of the policies. The initial policy subjects in the attached manual pertain to budgetary matters and fiscal planning, while the latter convey policy objectives underpinning key, day-to-day financial management operations. In each case, the text and format were designed to foster clarity and accountability, in part by specifying the applicable parties responsible for policy adherence.

A variety of factors influenced policy selection, including interviews with the town administrator, various officials and staff, and a review of preexisting town policies. We integrated the objectives of fiscal policy statement (88-7) and the stabilization fund policy (13-04) when creating related policies for this manual. We also considered an undated 88-page collection of policies and procedures that appears not to have been adopted, but disregarded its written step-by-step procedures to maintain a policy-oriented focus.

We consider forecasting and revenue turnover policies to be core to providing essential guidance for local officials and staff and therefore include them in this manual. Policy selection was also influenced by rating agencies that give weight to the existence of formal policies on debt, reserves, and other postemployment benefits liability. We also include policies proposed by town personnel during interviews, such as overlay and travel reimbursement. Additionally, communities that receive at least $750,000 in federal grant money, such as Wareham, are required to comply with provisions in the Office of Management and Budget's Omni Circular. The Town's adoption of certain policies, such as conflict of interest, will help to fulfill those requirements.

We included an investment policy similar to the town's current policy that is updated for form and content and includes references to the latest policy published by the Massachusetts Collectors and Treasurers Association. We chose not to revise the fraud policy Wareham adopted in 2015 since it is based on a generally accepted model.

The board of selectmen is to be commended for recognizing the importance of formal, written policies and addressing this through the CCC. All the policies in this manual are presented for review and approval by the board of selectmen, school committee, and other local officials as applicable. Each should be considered a living document to be periodically reassessed, modified, and agreed to as conditions change. As large as the manual is, it still does not cover all areas suitable for policies, and the town should contemplate building further on this foundation. The town's independent auditor, Powers & Sullivan, LLC, commented on the need for Wareham's department heads to

develop an internal control policy and procedures manual, complete with sufficient detail to train new employees. This policy manual provides a basis from which to write those documents.

Finally, note that many policies contain specific provisions that local leaders need to consider and decide upon. An example taken from the policy on reserves 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.

WAREHAM

Massachusetts

FINANCIAL POLICIES MANUAL

INTRODUCTION

The Town of Wareham 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 formal direction, and define authority to help ensure sound fiscal stewardship and management practices. Each policy is a living document that should be reviewed periodically and updated as necessary.

With these policies, the Town of Wareham, through the Board of Selectmen, Town Administrator, 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

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CAPITAL PLANNING

PURPOSE
To provide a means for planning the maintenance and improvement of capital assets and infrastructure, this policy outlines guidance for reviewing, planning, and coordinating capital improvements. This policy also promotes a systematic acquisition and replacement schedule and to ensure that, given limited resources, the Town's capital needs are met.

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

POLICY
The Town shall maintain its physical assets by providing funding in the operating budget to protect its capital investments and minimize future maintenance and replacement costs. The Town sustains a capital improvement program (CIP) overseen by the Capital Planning Committee to identify and prioritize projects, analyze funding, and create a long-term financial plan achievable within the Town's budget limitations. The Town shall sustain a five-year plan for capital improvements, which will be updated annually. Included in the CIP shall be those projects that will provide and preserve the infrastructure needed to achieve the highest levels of public services and quality of life possible within the available financial resources. The Town will emphasize preventive maintenance as a cost-effective approach to capital reinvestment and replace exhausted goods as necessary.

A. <u>Definition of a CIP Project</u>

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

- Construction, renovation or improvement of all buildings and grounds: $50,000
- Sewer or storm water construction projects: $50,000
- Acquisition of real estate: $25,000
- All new vehicles and all non-vehicular equipment: $25,000

Additional capital improvements estimated to cost over $25,000 include:

- Long-life capital equipment
- Major renovations of existing capital items that extend their useful lifespans, as distinguished from normal operating expenditures
- Major improvements to physical infrastructure, including streets and sidewalks
- Planning, feasibility studies, and designs for potential capital projects
- Items obtained under a long-term 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 $25,000

B. Evaluation of CIP Projects

The Capital Planning Committee orchestrates the CIP, and its membership consists of the Town Administrator, Town Accountant, one member of the finance committee, one member of the planning board, and three additional appointees. Only projects that have gone through the Committee's review process shall be included in the CIP unless required by an emergency, in which case, a written report explaining the emergency must be provided to the Town Administrator and Board of Selectmen.

The Committee will evaluate and prioritize capital projects using the below criteria:

- Eliminates a hazard to public health and safety
- Required by state or federal laws or regulations
- Supports adopted plans, goals, objectives, and policies
- Stabilizes or reduces operating costs
- Replaces a clearly obsolete facility or makes better use of an existing facility
- Maintains or improves productivity or existing standards of service
- Directly benefits the Town's economic base by protecting and increasing property values
- Provides new programs having social, cultural, historic, economic, or aesthetic value
- Uses outside financing sources, such as grants

C. Multiyear Capital Plan

The Capital Planning Committee will annually update and propose for adoption by the Board of Selectmen and Finance Committee a five-year capital improvement plan, including the upcoming fiscal year's capital improvement budget and a four-year projection of capital needs and expenditures that details their estimated costs, descriptions, and anticipated funding sources.

D. Capital Financing

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

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

- Grant funding shall be pursued and used to finance the capital budget whenever possible.
- Capital projects for the enterprise fund shall be financed solely from the fund's revenues.
- The annual operating costs of each proposed capital project, as well its debt service costs, will be identified before any long-term, bonded capital project is recommended.
- Major capital projects, such as new construction or major renovations to existing facilities, may be accomplished through capital or debt exclusions.
- Infrastructure or facility maintenance budgets built into the general operating budget will not be reduced to fund other departmental budgets.

E. Capital Project Closeouts

The Town will endeavor to close out all capital projects within six months of completion. As these projects are closed out, the Town Accountant will do the following:

- For bonded projects with residual balances, the Town Accountant and Finance Director will propose reallocating any balances for other applicable capital projects, or for balances less than $50,000, use them to offset the debt service budget.
- For projects funded with available revenue (tax levy or reserves) having residual balances, the Town Accountant will propose reallocating the balances for other capital projects or close the balances to the appropriate fund surplus.

REFERENCES
M.G.L. c. 44, §20
M.G.L. c. 44, §33B

Division of Local Services Guidance: *Presenting and Funding Major Capital Projects*

Town of Wareham Charter: Article 2, Section 5(d), Article 5, Section 7
Town of Wareham Bylaws: Division I, Article VI, Section 2

EFFECTIVE DATE
This policy was adopted on [ ]

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, Finance Committee, Town Administrator, and School Committee in their budget decision making and in the Finance Director's, as Treasurer, debt reporting. It also applies to the Finance Director's budget analysis duties and, in the role as Treasurer, the statutory responsibilities associated with debt management.

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

A. <u>Debt Financing</u>

In financing with debt, the Town will:

1. Issue long-term debt only for objects or purposes that are financially supported and authorized by state law
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 [$25,000] and that have useful lifespans of at least [five] years or whose lifespans will be prolonged by at least [five] years
4. Refrain from using debt to fund any recurring purpose, such as current operating and maintenance expenditures
5. Use revenue bonds, special assessment bonds, or other types of self-supporting bonds instead of general obligation bonds whenever possible
6. For the sewer enterprise operation, 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 self-supporting debt, will be limited to [10] percent of general fund revenues, with a target balance of [five - seven] percent.
2. By statute, a community's debt limit equals 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 30 years.
3. The Town will limit bond maturities to no more than [10] years, except for major buildings, sewer and waste water control facility projects, land acquisitions, and other purposes in accordance with the useful life borrowing guidelines promulgated by the Division of Local Services.
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 the debt issuance's tax-exempt status.

D. 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.

E. Reporting

1. The Finance Director [and financial advisor] will report to the Town Administrator and Board of Selectmen on the Town's debt status at least annually.
2. The Town Accountant will include a statement of debt in the annual report of appropriations, receipts, and expenditures.

REFERENCES

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

Division of Local Services Guidance: *Understanding Municipal Debt*

Internal Revenue Code of 1986, as amended, *Section 148*
Internal Revenue Service's *Arbitrage Guidance for Tax-Exempt Bonds*

Standard & Poor's article: *The Top 10 Management Characteristics of Highly Rated U.S. Public Finance Issuers*

EFFECTIVE DATE
This policy was adopted on [ ]

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, Wareham 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, Finance Committee and School Committee in those duties. It also applies to the related job duties of the Finance Director, Town Accountant, Director of Water Pollution Control, and Board of Assessors.

POLICY

The Town of Wareham 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 - ten] percent of the annual operating budget. Adherence to this policy will help the Town withstand periods of decreased revenues and control spending during periods of increased revenues. There are multiple types of reserves, including free cash, stabilization funds, retained earnings, and overlay surplus.

A. Free Cash

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

By [September 15th] each year, the Town Accountant shall submit to DLS a year-end balance sheet, free cash checklist, and year-end reporting checklist. Once DLS certifies free cash, the Town Accountant will provide copies of the certified balance to the Town Administrator.

The Town shall set a year-to-year goal of maintaining its free cash in the range of [three - five] percent of the annual budget. To achieve this, the Town Administrator shall propose budgets with conservative revenue projections, and department heads shall carefully manage their appropriations to produce excess income and budget turn backs.

The Town shall endeavor to transfer a minimum of 50 percent of the certified free cash to the general stabilization fund. As much as practicable, the Town will limit its use of free cash to funding one-time expenditures (like capital projects or emergencies and other unanticipated expenditures). Alternately, budget decision makers may reserve a portion of the remaining 50 percent to avoid

fully depleting the Town's free cash so that the succeeding year's calculation can begin with a positive balance.

B. Stabilization Fund

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 and appropriated to a general stabilization fund.

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

C. Retained Earnings

The Town has a separate Sewer Department enterprise fund responsible for the operation of the water pollution control facility. By accounting for the revenues and expenditures of the operation in individual funds segregated from the general fund, the Town can identify the true costs of each service—direct, indirect, and capital—and recover these through user and other fees. Under this accounting, the Town may reserve the operation's generated surplus (referred to as retained earnings or, alternatively, as net assets unrestricted) rather than closing the amount out to the general fund at year-end.

For the 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 will be used to provide rate stabilization and to fund major, future capital projects. To maintain the target reserve levels for the enterprise requires the Sewer Department to periodically review, and when necessary, adjust user rates.

D. Overlay Surplus

The overlay is a reserve the Town uses to offset unrealized revenues resulting from property tax abatements and exemptions. Wareham officials will prudently manage the overlay in accordance with the Town's Overlay policy to avoid the need to raise overlay deficits in the tax levy.

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

Board of Assessors vote to declare those balances surplus available for use in the Town's capital improvement plan or for any other one-time expense.

REFERENCES
M.G.L. c. 40, §5B
M.G.L. c. 59, §25
M.G.L. c. 44, §53F½

DLS Best Practice: *Free Cash*
DLS Best Practice: *Reserve Policies*
DLS Best Practice: *Special Purpose Stabilization Funds*
DLS Informational Guideline Release 08-101: *Enterprise Funds*
DLS Informational Guideline Release 16-104: *Overlay and Overlay Surplus*
DLS Informational Guideline Release 04-201: *Creation of Multiple Stabilization Funds*

Government Finance Officers Association Best Practice: *Appropriate Level of Unrestricted Fund Balance in the General Fund*

Town of Wareham Overlay Policy

EFFECTIVE DATE
This policy was adopted on [ ]

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 and Finance Committee in their budget analysis and decision-making responsibilities. It also applies to the job responsibilities of the Town Administrator, Finance Director, Town Accountant, School Superintendent, School Business Manager, and all the managers of revenue-generating departments, including the Town's Sewer Department.

POLICY

A. Revenue Guidelines

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

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

- General 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 Finance Director, 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 Finance Director to avoid continued reliance on one-time revenues.

Historically, bond premiums (net of issuance costs) have been considered general one-time revenue to be used as an available source. Chapter 218 of the Acts of 2016 (Municipal Modernization Act) amends current law by allowing communities to either apply the proceeds to the issuance, thereby

reducing the amount needed to borrow, or to place the money in a separate fund and appropriate it for a future capital project. (Note: Premiums received for excluded debt must still be used to offset the stated interest costs of financing the project.)

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 market value as prescribed by state law.
- Town departments that charge fees shall annually review their fee schedules and propose adjustments when needed to ensure coverage of service costs.
- The Sewer department, as an enterprise fund operation, shall set rates to cover all its direct, indirect, and capital improvement costs on a self-supporting basis.
- The Building department will notify the [Town Administrator] 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.

B. Expenditure Guidelines

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

C. Financial Forecast Guidelines

To determine the Town's operating capacity for each forthcoming fiscal year, the Finance Director will annually create and provide the Town Administrator with a detailed budget forecast. The Finance Director shall also annually prepare a [five]-year financial projection of revenues and expenditures for all operating funds. These forecasts shall 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 shall be conservative based on historical

trend analyses and shall 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 current level of services will be maintained
- 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-year average by property class
- The state's net school spending requirements will annually be met or exceeded
- Local receipts and state aid will reflect economic cycles
- Historical trends in the growth of specific operating expenses and employee benefits will prevail
- Potential cost-of-living adjustment estimates for the impact of future contract settlements and compensation plan increases are included
- Debt service on existing debt will be paid and Capital Planning and Debt 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 its Financial Reserves policy
- The Town and School will share increases and decreases in general fund revenue and certain fixed costs in accordance with the Town-School Revenue Sharing Policy

REFERENCES

Chapter 218 of the Acts of 2016
M.G.L. c. 44, §63
M.G.L. c. 44, §63A
M.G.L. c. 44, §53A
M.G.L. c. 44, §53A½
M.G.L. c. 44, §20

Division of Local Services Best Practice: *Revenue and Expenditure Forecasting*
Division of Local Services Bulletin 2013-01B: *Bond Premiums and Debt Exclusions*

Government Finance Officers Association article: *Structuring the Revenue Forecasting Process*

Town of Wareham Capital Planning Policy
Town of Wareham Debt Management Policy
Town of Wareham Financial Reserve Policy
Town of Wareham Town-School Revenue Sharing Policy

EFFECTIVE DATE

This policy was adopted on [ ]

INDIRECT COST ALLOCATION

PURPOSE
To ensure all indirect costs associated with the Town's sewer enterprise fund 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 the calculation, allocation, and review of those costs.

As an enterprise fund, the accounting for this utility is recorded and managed separately from the general fund. This operation has separate financial statements, rather than commingling its revenues and expenses with those of all other governmental activities. Consolidating the 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 utility.

APPLICABILITY
This policy applies to the Town Administrator, Finance Director, Town Accountant, and Director of the Water Pollution Control (Sewer Department).

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 sewer department and will review the calculation with the department manager until there is mutual agreement on the resultant totals. The calculation will take into account all the related expenses of the Town departments that provide administrative services to the sewer department, which include the Town Administrator, Town Accountant, Treasurer, Collector, 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. 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
- Administrative costs
- Other costs that may be considered and agreed to, such as: materials, supplies, software, infrastructure, and fuel

The Town Accountant will maintain written instructions detailing the calculation methodology and track and record operating transfers between the relevant funds. A detailed explanation of the four different indirect cost allocation methods is included in Appendix II of this policy manual.

REFERENCES
Division of Local Services Guidance: *Costing Municipal Services: Workbook and Case Study*

Government Finance Officers Association (GFOA) Best Practice: *Taking Advantage of Indirect Cost Allocations*
GFOA Best Practice: *Measuring the Full Cost of Government Service*

EFFECTIVE DATE
This policy was adopted on [ ]

INVESTMENTS

PURPOSE

To ensure the Town's public funds achieve the highest possible, reasonable available rates of return 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 each 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 pertains to short-term operating funds, including general funds, special revenue funds, enterprise funds, bond proceeds, and to all accounts designated as long-term (e.g., trusts, stabilization funds, and others the Town may set aside for long-term use, including scholarship and perpetual care funds). This includes the Town's other postemployment benefits (OPEB) trust fund that is managed by the trustees of the Plymouth County OPEB Trust. This policy does not pertain to the Town's retirement fund that is managed by the Plymouth County Retirement Board.

This policy applies to the Finance Director as Treasurer, his designee(s), and any advisors or other professionals in their responsibilities for investing and managing Town funds.

POLICY

The Treasurer shall 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 shall separately maintain all long-term accounts so as to individually receive their proportionate interest and any realized and unrealized gains or losses. All trust funds shall fall under the Treasurer'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 statues, updated by Chapter 218 of the Acts of 2016 (Municipal Modernization Act), and as published by the Massachusetts Collectors and Treasurers Association (MCTA). The latest MCTA guidance is included in Appendix IV 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 (CDs) for up to 3 years. The MCTA guidance was printed prior to this change and 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 shall adhere to the following guidelines on safety, liquidity and yield:

- Investments shall be undertaken in a manner that seeks to ensure the preservation of capital through the mitigation of credit and interest rate risks. The Treasurer will mitigate

these risks by prudently selecting and diversifying investment instruments and depository choices.

- The Treasurer shall 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 shall 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's 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

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

- The Treasurer 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 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 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 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 will 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, a Town will not be able to recover the value of an investment or to recover collateral securities in the possession of an outside party.
- The Treasurer 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 a Town's investment in a single issuer.

- The Treasurer 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 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 and Assistant Treasurer/Collector shall refrain from any personal activity that may conflict with the proper execution of the investment program or that could impair or appear to impair the ability to make impartial investment decisions. Said individuals shall disclose to the Town Administrator 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

The Treasurer shall consider soundness and stability when selecting financial institutions. To do so, the Treasurer shall 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 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 will contact the appropriate banking institution and request a written explanation for the rating change and the expected timetable for changing back to green. If the rating is still yellow for a second quarter, the Treasurer should consider removing all funds that are not collateralized or do not carry some form of depositor’s insurance. If a rating moves to red, all money shall be immediately collateralized, or covered by some form of depositors insurance, or be removed from the banking institution.

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

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

E. Reporting Requirements

The Treasurer will assess investment activity and keep the Board of Selectmen, Town Administrator, and Finance Committee apprised of any major changes by providing a report of investment activity annually or more often as needed.

The investment activity report should 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
- 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

REFERENCES

Chapter 218 of the Acts of 2016
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. 29, §38A
M.G.L. c. 167, §15A

Office of the Commissioner of Banks, *List of Legal Investments*

GASB Statement 40 as amended by Statement 3, March 2003, *Deposit and Investment Risk Disclosures*,
Government Finance Officers Association Best Practice, October 2010, *Creating an Investment Policy*

MCTA Investment Policy Statements

EFFECTIVE DATE

This policy was adopted on [ ]

OTHER POSTEMPLOYMENT BENEFITS LIABILITY

PURPOSE

To provide the basis for a responsible plan for meeting the Town's obligation to provide other postemployment benefits (OPEBs) to eligible current and future retirees, this policy provides guidelines designed to ensure OPEB sustainability and achieve generational equity among those called upon to financially support OPEBs, thereby avoiding transferring costs into the future.

APPLICABILITY

This policy encompasses OPEB-related budget decisions, accounting, financial reporting, and investment. It applies to the Board of Selectmen, Finance Committee, and Town Administrator in their budget decision-making responsibilities. The policy also applies to the OPEB-related duties of the Finance Director in the role as Treasurer and Town Accountant.

BACKGROUND

In addition to salaries, the Town of Wareham 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. As part of a long-range plan to fund this obligation, 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. In 2015, the Town entered into an agreement to join the Plymouth County Other Postemployment Benefits Trust (PCOT) program to manage the Town's funds contributed to offset future benefit payments.

POLICY

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

A. <u>Accounting and Reporting</u>

The PCOT investment committee, responsible for oversight of the investment portfolio, has designated U.S. Bank as trustee and investment manager of the trust assets. The Treasurer as custodian will manage the fund's contributions and disbursements and monitor the account and investment activity reports. On an annual basis, the Town Administrator and Treasurer will meet with a member of the PCOT investment committee to review the trust's investment policy to ensure conformance with the state's prudent investor laws, and to review investment strategy, performance, and fees.

The Town Accountant will obtain actuarial analyses of the Town's OPEB liability every two years and will annually report the Town's OPEB obligations in financial statements that comply with the current guidelines of the Governmental Accounting Standards Board.

The Town Administrator shall ensure that the Town's independent audit firm reviews compliance with the accounting and reporting provisions of this policy as part of its annual audits and will report on these to the Board of Selectmen.

B. Mitigation

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

C. Funding

To address the OPEB liability, decision makers shall analyze a variety of funding strategies and subsequently implement them as appropriate with the intention of fully funding the obligation. The Town shall derive funding to invest in the OPEB trust from taxation, free cash, retained earnings, and any other legal form. To ensure that the Town's enterprise fund remains self-supporting, the Water Pollution Control Director will factor their proportional OPEB contributions into the setting of utility rates.

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
- Appropriate amounts equal to the Town's Medicare Part D reimbursements
- Determine and commit to appropriating an annual portion of free cash and retained earnings
- Appropriate a percentage of ongoing revenues that is increased incrementally each year
- Once the pension system is fully funded, on a subsequent annual basis, appropriate to the OPEB trust 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. 44, §54
M.G.L. c. 44, §55
M.G.L. c. 203C, §3

GASB Statement 45, June 2004: *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* This statement will be replaced by Statement 75 effective July 1, 2017.
GASB Statement 74, July 2016: *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*

GFOA Best Practice: *Ensuring Other Postemployment Benefits (OPEB) Sustainability*
GFOA Best Practice: *Sustainable Funding Practices for Defined Benefit Pensions and Other Postemployment Benefits (OPEB)*

EFFECTIVE DATE
This policy was adopted on [ ]

TOWN – SCHOOL REVENUE SHARING

PURPOSE
To resolve the annual struggle between the Town and School over limited available resources, this policy establishes guidelines to allocate changes in year-over-year general fund revenue and fixed cost expenditures when developing the annual operating budget.

APPLICABILITY
This policy applies to Board of Selectmen, Finance Committee, Town Administrator, Finance Director, Town Accountant, School Committee, School Superintendent, and School Business Manager in their roles as budget decision makers.

POLICY
The change in estimated general fund revenue designated as shared shall be allocated [50 percent/ 50 percent] between Town and School operations. From those revenues, changes in fixed costs and assessments designated as shared shall be allocated at the same percentage. This policy applies to anticipated increases in revenue and to decreases that adversely impact town and school budgets.

A. Revenues

All variances in general fund revenues shall be shared, except any reserved for or resulting from specific programs. These exceptions include Cherry Sheet education receipts (i.e., Chapter 70 funds, charter tuition reimbursement, and school choice tuition offset), reimbursements for authorized veterans expenditures, public library offset, and the Town's special revenue funds. Special revenue funds, which are accounted for separately from the general fund and held for and restricted to appropriation for specified purposes, are excepted from sharing. In Wareham, these include the waterways improvement and wetlands protection funds. Debt excluded revenue is also excepted from this policy.

Shared revenue increases or decreases include:

- Property levy
- General government receipts (Cherry Sheet Estimated Receipts – C.S. 1-ER, Category B), net of offset items and veterans benefits reimbursement
- Estimated local receipts
- Other available funds, including free cash, overlay surplus, and other reserves
- Enterprise fund indirect costs

B. Expenses

All variances in assessments and other fixed costs shall be shared, excepting any assessments attributable to specific programs. Students living in the community but attending charter or out-of-district schools are included in the calculation for the Chapter 70 allocation. Therefore, these sending tuition assessments are designated as a school expense, along with special education

charges (Categories D and E on the Cherry Sheet Estimated Charges). Correspondingly, assessments for vocational or technical schools are designated as a school expense.

Shared expenditure increases or decreases include, but are not limited to:

- Debt – except for excluded debt
- Southeastern Regional Planning and Economic Development District's assessment
- Employee benefits, including other postemployment benefits
- County assessments (Cherry Sheet Estimated Charges - C.S. 1-EC, Category A)
- State assessments and charges (C.S. 1-EC, Category B)
- Transportation authorities (C.S. 1-EC, Category C)
- Overlay

As part of developing the general fund operating budget, the Finance Director will project fixed costs and assessments and will update revenue forecasts as information becomes available. The expected changes in revenue shall be offset by the expected changes in expenses for each of the budget components, with the shared net revenue over expenses allocated [50] percent to the Town and [50] percent to the School.

Proposed Town operating budget:
Previous year's approved Town budget
+ Town dedicated revenue less its dedicated expenses
+ Town allocated share of revenue less expenses

Proposed School operating budget:
Previous year's approved School budget
+ School dedicated revenue less its dedicated expenses
+ School allocated share of revenue less expenses

If projected expenses exceed forecasted revenue, budgets will decrease.

C. Reporting

The Town Administrator will present the annual calculation and allocation of revenues and expenses at a tri-board meeting of the Board of Selectmen, School Committee, and Finance Committee as the operating budget is being developed prior to annual town meeting.

SAMPLE WORKSHEET
A sample worksheet for calculating the revenue and expenditure shares is included in Appendix III of this manual.

REFERENCES
Town of Wareham Forecasting Policy Town of Wareham Indirect Cost Policy

EFFECTIVE DATE
This policy was adopted on [ ]

OVERLAY

PURPOSE

To ensure the proper treatment of the overlay account, this policy sets guidelines for determining the annual overlay amount in the Town's budget and for deciding whether any overlay balance can be certified as surplus. The allowance for abatements and exemptions, commonly referred to as the overlay, is an account to offset anticipated abatements and exemptions of committed real and personal property taxes. The account may also be charged in the event property taxes are deemed to be uncollectable.

Effective November 7, 2016, the Municipal Modernization Act (Chapter 218 of the Acts of 2016) (Municipal Modernization Act) provides for a single overlay account. Previously, a community had to maintain separate overlay reserves for each fiscal year and could not use the surplus from one year to cover another year's deficit without a multistep process involving the assessors, accounting officer, and local legislative body. However, the Act allows all existing overlay balances to be transferred to a single account. Although this policy treats overlay as a single account, to continue historical information and facilitate reconciliations, the Town Accountant may elect to maintain subsidiary ledgers by levy year for overlay balances.

APPLICABILITY

This policy applies to the job duties of the Board of Assessors, Director of Assessment, Finance Director, Town Accountant, Town Administrator, as well as to the Board of Selectmen and Finance Committee's role as budget decision makers.

POLICY

A. Annual Overlay

Each year, the Board of Assessors shall vote in an open meeting to authorize a contribution to the overlay account as part of the budget process and to raise it without appropriation on the Town's Tax Recapitulation Sheet. The Director of Assessment will determine the amount to be added to the overlay account based on the following:

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

The Board of Assessors shall notify the Town Administrator and the Finance Director of the amount of overlay voted.

B. Excess Overlay

Annually, the Director of Assessing and Town Accountant will conduct an analysis to see if there is any excess in the overlay account balance by factoring the following:

- Current balance in the overlay account after reconciling with the Town Accountant's records
- Balance of the property tax receivables, which represents the total real and personal property taxes still outstanding for all levy years
- Estimated amount of potential abatements, including any cases subject to ATB hearings or other litigation

Upon determining any excess in the overlay account, the Director of Assessment shall present the analysis to the Board of Assessors for its review and will also notify the Town Administrator.

C. Overlay Surplus

If there is an excess balance in the overlay account, the Board of Assessors shall formally vote in an open meeting to certify an amount to transfer to overlay surplus and shall notify the Board of Selectmen, Town Administrator, and Town Accountant in writing of its vote. If the Board of Selectmen makes a written request for a determination of overlay surplus, the Board of Assessors shall vote on the matter within the next 10 days and notify the Board of Selectmen of the result in writing.

After being certified, Town Meeting may appropriate overlay surplus for any lawful purpose until the end of the fiscal year. However, the appropriation should be as prescribed in the Town's Forecasting policy (re: treatment of one-time revenues) and its Financial Reserves policy (re: overlay surplus). Overlay surplus not appropriated by year-end closes to the general fund's undesignated fund balance.

REFERENCES
Chapter 218 of the Acts of 2016
M.G.L. c. 59, §25

DLS Informational Guideline Release 16-104: *Overlay and Overlay Surplus*

Town of Wareham Forecasting Policy
Town of Wareham Financial Reserves Policy

EFFECTIVE DATE
This policy was adopted on [ ]

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 interests.

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 the School Business Manager as the School's procurement officer and to related functions of the Town Counsel 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. Wareham 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 shall 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 quotes for contracts and those over [$35,000] require competitive sealed bids or proposals for contracts.

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.

Departments 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 or School Business Manager

The Town Administrator / School Business Manager must:

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

B. Conflict of Interest in Procurement

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

> According to the federal Office of Management and Budget's Omni Circular, a conflict of interest arises when: "*the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract."*
>
> And it states that: *"The officers, employees, and agents of the non-federal entity must neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts."*
>
> The Omni Circular further requires that for any federal grant involving a parent, affiliate, or subsidiary organization that is not a state or local government, the Town must also maintain written standards of conduct covering organizational conflicts of interest. An organizational conflict of interest means that due to a relationship with a parent company, affiliate, or subsidiary organization, the Town is unable or appears to be unable to be impartial in conducting a procurement action involving the related organization.

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

Department heads and other officials are required to ascertain and disclose to the Town Administrator or School Business Manager any potential conflict of interest affecting procurement transactions before a contract is signed, a commitment made, or an order placed. Having satisfied this requirement, the Town Administrator shall notify the Town Accountant, who will verify the

availability of funds before any order is placed with a vendor. Similarly, the School Business Manager shall authorize a purchase order after this requirement is met.

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 those statements in conjunction with this policy and other ethical standards.
2. Other persons involved in procurements must review this policy and other ethical standards and provide information in order to determine if there is a conflict of interest. Such persons shall include, but are not limited to, authors of specifications; paid and unpaid evaluators; and paid and unpaid consultants who assist in the procurement process.
3. If a possible conflict of interest is identified, it must be documented and reviewed with Town Counsel.

Departments 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 or School Business Manager prior to commencing any procurement or contract activity

The Town Administrator / School Business Manager 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 or contract activity or cancelation of the solicitation.

C. Audit

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

REFERENCES

M.G.L. c. 30B
M.G.L. c. 268A

State Ethics Commission's webpage *Disclosure Forms for Municipal Employees*

U.S. Office of Management and Budget, December 2013 *Omni Circular*

EFFECTIVE DATE
This policy was adopted on [ ]

RECONCILIATION

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 the Town'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, 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, Payroll Assistant, Finance Director in the role as Treasurer/Collector, or their designees, and to any other department that has accounts receivable responsibilities (e.g., Police, Sewer, etc.).

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 shall include zero-balance vendor and payroll bank accounts, whose balances must equal the outstanding checks at the end of any month.

Reconciling items, including deposits in transit, bounced and voided checks, and discrepancies between the Treasurer's cashbook and financial institutions, will be identified and corrected when appropriate. The Treasurer/Collector will then forward a summary of the reconciled cashbook balances and, when needed, an additional Schedule of Receipts reflecting any adjustments to the Town Accountant.

B. Payroll Withholdings Reconciliation

Payroll withholdings include federal and state taxes, child support and other wage assignments for legal obligations, deferred compensation, optional insurances, association dues, and other employer-sponsored options, which are all maintained in separate accounts. The Payroll Assistant in the Town Accountant's office will ensure that all employee and employer contribution portions of withholdings are recorded and reconciled to the general ledger monthly. To reduce the risk to the

Town for liabilities in excess of payroll withholdings, the Payroll Assistant shall identify and report any discrepancies between the general ledger withholding accounts and applicable vendor/recipient accounts payable. The Payroll Assistant will provide the results of these activities to the Town Accountant.

C. Accounts Receivable Reconciliation

Accounts receivable are outstanding monies owed to the Town, whether from committed records (i.e., taxes, excise, and utilities) or from uncommitted department records (e.g., police details, ambulance charges). To ensure these assets are accounted for and balanced, the Treasurer/Collector and the department head with accounts receivable duties (the "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 inappropriate revenues were 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 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 happen 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(s):

- 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 mistakes.
- 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 go through each entry to the ledger until they determine the reason for variance.

The Town Accountant will review the payroll withholdings reconciliation report provided by the Payroll Assistant against the general ledger and make changes to the ledger as needed.

Committed and uncommitted accounts receivable records must also be reconciled to the Town Accountant's general ledger. If a given receivable control sheet 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 go through each ledger entry until they determine the reason for variance.

E. Time frames and Documentation

Finance Department officers shall complete reconciliations of their internal accounting records early each month so that subsequent reconciliations to the general ledger take place no later than [the 20th] of the month following the one being reconciled.

The financial officers who jointly complete each general ledger reconciliation will sign reconciliation worksheets. 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 shall collectively submit the reconciliation worksheets to the [Finance Director and Town Administrator] by each month's end. The completed reconciliations shall be maintained by the Town Accountant as part of the Town's permanent financial records.

F. Audit

All reconciliation documents are subject to audit by the independent auditor.

REFERENCES

DLS Best Practices, *Reconciling Cash and Receivables*

Massachusetts Collectors Treasurers Association, 2009: *Treasurer's Manual*
Massachusetts Collectors Treasurers Association, 2008: *Collector's Manual*

EFFECTIVE DATE
This policy was adopted on [ ]

REVENUE TURNOVER

PURPOSE
To safeguard Town assets and maximize cash flow, the Town establishes this policy that provides guidelines for departments to turn over receipts to the Finance Director in the role as Treasurer. 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, as well as the Finance Director in the role as Collector.

POLICY
The head of each department that receives payments is responsible for instituting and employing internal controls designed to ensure that all receipts are recorded accurately, kept secure from loss or theft, and turned over timely to the Treasurer. Each department must turn over at least weekly and must do so immediately whenever receipts total [$100] or more. All current-month turnovers must be completed at month-end no later than [11:00 am] on last business day of the month.

PROCEDURES

A. Receiving Payments

Using prenumbered receipt books supplied by the Treasurer, Town and School departmental staff must issue a receipt for every collection received, even when the payer attempts to refuse it. As the exception, employees in the Treasurer'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". Every collecting department shall secure all payments in a locked cashbox or safe until completing a turnover to the Treasurer.

The School Department deposits lunch, athletic, and student activity receipts and the Community and Economic Development Authority (CEDA) deposits program receipts into the appropriate Town bank accounts. These deposits shall take place the same day as receipt whenever cash is received and whenever check receipts total [$100] or more. Copies of the bank deposit slips shall be included with the turnover to the Treasurer.

Each department head is responsible for overseeing the processing, recording, record retention, and turning over of collected receipts to the Treasurer. To the extent practicable, separate individuals should be tasked with 1) receiving payments, 2) depositing money in the bank (as applicable for the School Department) and 3) turning receipts over to the Treasurer.

B. Turning Over Revenues

Departmental staff will create a turnover package by filling out a standard Schedule of Departmental Payments (i.e., the turnover form), making three copies of the turnover form, and obtaining signatures of the department head on each of them. All receipts should correlate to the numbered receipt book and to the turnover form.

On a daily basis, the Collector shall complete a turnover of the collections for all taxes, utilities, and other committed receivables processed that day. This shall consist of a turnover form showing all processed collections summarized by receipt type, which must reconcile to the bank deposits made the same day.

When the Treasurer's office has accepted the turnover, the department employee will receive two copies of the turnover form signed and dated by a Treasurer staff member. The department employee will retain one turnover copy on file and is responsible for delivering the other to the Town Accountant. The Town Accountant shall refuse to accept any turnover form that does not have the Treasurer staff member signature.

All departments that receive payments should review their monthly revenue reports against their turnover copies to verify that all receipts turned over to the Treasurer are accurately recorded in the appropriate general ledger accounts. All any discrepancies must be reported to the Town Accountant immediately.

C. Receiving Turnovers

When presented with a turnover, Treasurer staff 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. The Treasurer staff member will then sign two turnover copies and return them to the departmental employee. Upon receipt, the Treasurer will secure the receipts, which will be recorded in the cashbook and deposited in the bank within 24 hours. At no time shall a department leave a turnover in the treasurer's office unattended.

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

The Treasurer will provide the Town Accountant with a weekly report of all turnovers processed (i.e., the Schedule of Receipts report) for review and formal indication of agreement, or changes if any.

D. Reconciliation

In accordance with the Town's Reconciliation policy, the Treasurer 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 the independent auditor.

F. Treasurer/Collector Staff Requirements

Upon employment, all members of the Treasurer/Collector office shall attest to receiving Wareham's Cash Handling Policies and Procedures Manual and corresponding training. The Finance Director will review the procedures outlined in the policies and procedures manual on a periodic basis.

REFERENCES
M.G.L. c. 41, §35
M.G.L. c. 41, §57
M.G.L. c. 60, §57A

Massachusetts Collectors Treasurers Association, 2009: *Treasurer's Manual*
Massachusetts Collectors Treasurers Association, 2008: *Collector's Manual*

Town of Wareham Treasurer/Collector's Office Cash Handling Policies and Procedures
Town of Wareham Reconciliations Policy

EFFECTIVE DATE
This policy was adopted on [ ]

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 Wareham and its residents that property taxes be paid when due. Town and School budgets are 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 Finance Director in the role as Treasurer/Collector, including those duties related to managing the Town's contracted services with a private deputy collector, tax title attorney, auctioneers, or other related professionals. Tax enforcement applies to all owners of real or personal property in the Town of Wareham whose taxes are not exempt.

POLICY

The Town of Wareham intends to timely pursue all legal methods to collect taxes from delinquent property owners with the aim of achieving a target [98 percent] property tax collection rate by fiscal year-end. The town will also timely and annually pursue foreclosure actions with the primary objective of receiving all monies due the Town. The costs of collection methods 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). Fifteen days later, the Treasurer/Collector shall issue demand notices to all assessed property owners who have failed to pay in full and who have not been granted full exemptions. Taxpayers are responsible for notifying the Town in writing of any mailing address changes.

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 Wareham Week and posts on the Treasurer/Collector webpage, at the Wareham Free Library,

Town Clerk's office and the four local post offices. 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 and record at the Registry of Deeds, which perfects the tax lien. After receiving the recorded Instruments back from the Registry, the Treasurer/Collector will notify affected property owners of the liens by sending each of them a letter and a photocopy of the Instrument. The Treasurer/Collector shall make two copies of the List of Recorded Takings and provide one each to the Board of Selectmen and Town Accountant.

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 Board of Selectmen and Town Accountant and retain one on file.

D. Interest, Fees, and License Revocation

All delinquent taxpayers are subject to charges, which will be added to their accounts by the Treasurer/Collector. These 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 shall review the list to deny, suspend, or revoke delinquent taxpayers' licenses and permits.

E. Payment Plans

The Treasurer/Collector will consider payment plans for parcels in tax title to allow delinquents to pay off their tax liens over a specified number of months. The Treasurer/Collector will actively monitor compliance with all payment plans, which shall have the following features in common:

- Upfront payment of at least 25 percent of taxes owed
- Signed agreement between the Treasurer/Collector and taxpayer
- Specific amount to be paid each month
- Incorporation of payments for the current tax bill
- Statement that defaulting on the plan will immediately trigger foreclosure action by the Town

F. Redemption or Foreclosure

The primary policy goal of the Town's foreclosure process is getting outstanding amounts paid; however, it is also a policy goal to eventually achieve foreclosure on every persistently delinquent property on an annual basis.

On an annual basis, the Treasurer/Collector shall identify all tax title properties older than 180 days that are not subject to a payment plan to initiate foreclosure procedures. The Treasurer/Collector is responsible for completing foreclosures for any properties below the "Land of Low Value" threshold, which is annually updated each spring by the Division of Local Services. The Treasurer/Collector shall thoroughly review all other tax title properties before referring them the tax title attorney for foreclosure processing in Land Court, beginning with those having the largest dollar value of taxes owed.

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

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

REFERENCES

M.G.L. c. 60, §6
M.G.L. c. 60, §16
M.G.L. c. 60, §50
M.G.L. c. 60, §53
M.G.L. c. 60, §54
M.G.L. c. 40, §57
M.G.L. c. 60, §61
M.G.L. c. 60, §62
M.G.L. c. 60, §63
M.G.L. c. 60, §76
M.G.L. c. 60, §77
M.G.L. c. 60, §79
M.G.L. c. 60, §80

DLS Best Practice: *Enforcing Collections*
DLS Information Guideline Release on Land of Low Value Foreclosure Valuation Limit updated annually and posted to DLS webpage.

Town of Wareham Bylaw: Division IV, Article IV, Denial, Revocation or Suspension of Local Licenses/Permits to Delinquent Taxpayers

EFFECTIVE DATE
This policy was adopted on [ ]

TRAVEL REIMBURSEMENT

PURPOSE
To properly monitor and control travel costs and to mitigate opportunities for fraud, waste, and abuse, this policy establishes rules governing reimbursement for necessary travel expenses incurred in performing official duties. This policy provides Town officials and employees with guidelines for determining reasonable travel-related expenses and details the procedures, forms and documentation necessary to receive reimbursement.

APPLICABILITY
This travel policy applies to all Town and School personnel.

POLICY
The Town of Wareham will reimburse employees and officials (all referred to here as "employees") for reasonable expenses incurred for travel on the Town's behalf as authorized by their department heads, boards, or committees. Travel shall be restricted to necessary activities that provide a public benefit, such as training, professional conferences, and other work-related activities. The Town will reimburse meals and room excises but not sales taxes. When this travel policy is not followed, there is no guarantee that all expenditures will be reimbursed.

A. Travel Forms

All travel expenditures are to be documented using the Employee Expense Report form signed by the traveler and the authorizing department head. Separate sheets must be completed for each traveler, and the sheets must be retained by the department until the travel is finalized unless advance payments are required.

B. Unauthorized Expenses

The following expenditures will not be reimbursed:

- Alcoholic beverages and tobacco
- Costs associated with any political or charitable event
- Expenses incurred by or on behalf of any person who is not a Town employee who accompanies the employee on official business
- Expenses incurred for the sole benefit of the traveler, such as valet service, entertainment, laundry services, etc.

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

C. Travel Expense Categories

Transportation

- Employees authorized to travel using their personal vehicle will be reimbursed at the IRS reimbursement mileage rate. For 2016, the IRS reimbursement is $0.56 per mile.
- Mileage shall be calculated starting from the employee's office location or residence to the destination point, whichever distance is shorter. Documentation of mileage, such as MapQuest, is required.
- Employees must present receipts to be reimbursed for parking, tolls, airfares, taxi fares, and, when using a town-owned vehicle, fuel charge.
- An email or screenshot confirmation of an airfare purchase is not an acceptable receipt since a confirmation can be canceled with no payment ever being made. Only a valid proof of payment, such as charge card receipt or statement, will be accepted.
- The Town will only reimburse economy class airfare.

Lodging

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

Meals

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

Incidentals

- Incidentals must be paid by the traveler and submitted for reimbursement when finalizing the Employee Expense Report form. Receipts are required whenever possible for all miscellaneous, unanticipated expenses.

D. Reimbursement Submission

Employees should submit for travel reimbursement as soon as travel concludes, but at maximum, no later than 30 days after the expenses being incurred. If an employee does not submit the Travel Reimbursement form, receipts, and other documentation within that time, he or she may be personally responsible for the expenses.

E. Violations

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

F. Audit

All expenses are subject to verification by the Town Accountant that they comply with this policy.

REFERENCES
M.G.L. c. 41, §52
M.G.L. c. 44, §58
M.G.L. c. 268A, sec. 3

EFFECTIVE DATE
This policy was adopted on [ ]

APPENDIX I
POLICY ADOPTION/REVISION LOG

As part of the annual budget process, financial officers and other personnel cited in each policy's Applicability section will review the policy to ensure it is current. If a policy needs to be updated, the Town Administrator will draft proposed edits in consultation with the Finance Director and other responsible parties. Revised policies will then be submitted to applicable Town policymakers for adoption. The Town Administrator will maintain an official record of the annual reviews and revision dates in the log below. Current policies inclusive of all amendments will be available in the Town Administrator's office.

Policy	Date of Adoption	Last reviewed	Date of Amendment(s)
Capital Planning	XX/XX/XXXX	XX/XX/XXXX	XX/XX/XXXX
Debt Management			
Financial Reserves			
Forecasting			
Indirect Cost Allocation			
Investments			
Other Postemployment Benefits			
Town – School Revenue Sharing			
Overlay			
Procurement Conflict of Interest			
Reconciliations			
Revenue Turnover			
Tax Enforcement			
Travel Reimbursement			

APPENDIX II
INDIRECT COST CALCULATION METHODOLOGIES

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 collector for sewer service as a percentage of the total bills issued. This percentage is applied against the collector's total budget, including health and life insurance, Medicare, retirement and any worker's compensation attributable to the department.

$$\frac{\text{Number of Transactions for the Sewer Department}}{\text{Total Number of Transactions processed by the Department}} \times \text{Total budget plus benefits of Department Processing Enterprise Transactions} = \text{Indirect Departmental Salaries}$$

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 USDA 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.

$$\frac{\text{Hours Worked on Enterprise Activities per year by Individual(s)}}{\text{Total Hours Worked per year by Individual(s)}} \times \text{Salary and benefits of Individual(s) Working on Enterprise Activities} = \text{Indirect Departmental Salaries}$$

   Any department or official's expenses related to sewer activities are charged directly to the sewer budget.

4. The **proportional** method is a straightforward calculation of the sewer 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 sewer department.

APPENDIX III
SAMPLE WORKSHEET - TOWN-SCHOOL REVENUE SHARING

SHARED			TOWN			SCHOOL		
A. Changes in Revenue			**Changes in Revenue**			**Changes in Revenue**		
Revenue	*Amount*	*Source*	*Revenue*	*Amount*	*Source*	*Revenue*	*Amount*	*Source*
Property Tax	1,525,150	Formula, New Growth Estimate	Veterans Reimbursement	25,000	C.S. 1-ER - Category B	Chapter 70	150,000	C.S. 1-ER - Category A
Other State Aid	95,000	C.S. 1-ER - Category B	Public Library Offset	(3,000)	C.S. 1-ER - Category B	Charter Reimbursement	125,000	C.S. 1-ER - Category A
Local Receipts	235,000	Estimate	Waterways Improvement	5,000	Special Revenue-RRFA	School Choice Offset	(80,000)	C.S. 1-ER - Category A
Indirect Costs	10,000	Calculation	Wetlands Protection	2,500	Special Revenue-RRFA			
Free Cash	0	Available Funds						
Total	1,865,150		Total	29,500		Total	195,000	Total
B. Changes in Fixed Costs/Assessments			**Changes in Fixed Costs/Assessments**			**Changes in Fixed Costs/Assessments**		
Costs/Assessments	*Amount*	*Source*	*Costs/Assessments*	*Amount*	*Source*	*Costs/Assessments*	*Amount*	*Source*
Debt	(18,000)	Projected Expense				Special Education	(10,000)	C.S. 1-EC - Category D
Assessments	100	Projected Expense				Sending Tuition	350,000	C.S. 1-EC - Category E
Employee Benefits	25,000	Projected Expense				Vo-Tech	225,000	Projected Expense
OPEB	50,000	Goal						
County Retirement	50,000	Actuarial Valuation						
NonSchool C/S Assessment	10,000	C.S. 1-EC - Categories A,B,C						
Retiree Teacher Health	15,000	C.S. 1-EC - Category B						
Overlay	(25,000)	Assesor Estimate						
Total	107,100		Total	0		Total	565,000	Total
C. Shared Net Revenue/(Expense)			**Dedicated Net Revenue/(Expense)**			**Dedicated Net Revenue/(Expense)**		
	$1,758,050			$29,500			($370,000)	
Sharing Option Calculations								
1. 50%/50% Share Net Revenue/(Expense)				$879,025			$879,025	
Change to Prior Year Budget = Share of Net Rev/(Exp) + Dedicated Net				$908,525			$509,025	
2. 40%/60% Share				$703,220			$1,054,830	
Change to Prior Year Budget = Share of Net Rev/(Exp) + Dedicated Net				$732,720			$684,830	
3. 33%/67% Share				$580,157			$1,177,894	
Change to Prior Year Budget = Share of Net Rev/(Exp) + Dedicated Net				$609,657			$807,894	

C.S. 1-ER = Cherry Sheets Estimated Receipts (State Aid)
C.S. 1-EC = Cherry Sheets Estimated Charges

APPENDIX IV
MASSACHUSETTS COLLECTORS AND TREASURERS ASSOCIATION
ANNUAL SCHOOL HANDOUTS, COURSE 202

MASSACHUSETTS COLLECTORS & TREASURERS ASSOCIATION

46th Annual School – August 16, 2016

INVESTMENT POLICY STATEMENTS

TOWN OF_____
INVESTMENT POLICY STATEMENT

The primary purpose of this Investment Policy Statement (IPS) is to provide a clear understanding between the Town/City of _____ (Client) and_____ (Investment Manager/Advisor) regarding the objectives, goals, risk tolerance, and investment guidelines established for the investment of town/city funds. The secondary purpose is to describe for the Office of Treasurer &Collector of Taxes, 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 negotiates for the highest rates possible, consistent with safely principles.

The Treasurer 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 Community's investments shall be invested in a single financial institution.

D. Authorization

The Treasurer 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 must be aware of when making investment selections.

- A Treasurer shall not at any one time have on deposit in a bank or trust company an amount exceeding 60% of the capital arid 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 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 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 Community 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 comply 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 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) frilly insured by F.D.I.C. and in some cases also Depository Insurance Fund of Massachusetts (D.LF.): 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 Community 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 shall be the "Prudent Person" standard and shall be applied in the context of managing an overall portfolio. The Treasurer acting m 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 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 Treasurers 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 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 safely 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 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 Community 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 Community will only purchase investment grade securities with a high concentration in securities rated A or better. The Community may invest in the Massachusetts Municipal Depository Trust (MMDT) with no limit to the amount of funds placed in the fund. The Community 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 Community will review the financial institution's financial statements and the background of the Advisor. The intent of this qualification is to limit the Community'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 Community, will be held in the Community's name and tax identification number by a third-party custodian approved by the Treasurer 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 Community 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 Community 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 Community will limit investment in any instrument exposed to foreign currency risk.

C. Ethics

The Treasurer (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 Chief Executive Officer any material financial interest in financial institutions that do business with the Community. They shall also disclose any large personal financial investment positions or loans that could be related to the performance of the Community's investments.

D. Relationship with Financial Institutions

Financial institutions should be selected first and foremost with regard to their financial soundness and stability. The Community 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 Community does not purchase the Veribanc Rating Service, the Treasurer should request the banking institution's Veribanc rating from all of the banking institutions that are working with the Community on a quarterly basis.

When using the Veribanc Rating Service the Treasurer may invest in such banks that show a green rating in a particular quarter. If a rating is yellow the Treasurer 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 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 shall require any brokerage houses and broker/dealers wishing to do business with the municipality to supply the following information to the Treasurer 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 and distributed to the Chief Executive Officer, Town Manager, 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.