



Financial Policies and Procedures

TOWN OF PLAINVILLE

FINANCIAL POLICIES AND PROCEDURES



Financial Policies and Procedures

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1.0 BILL PAYMENT AND PAYROLL

1.1 Employee Expense Reimbursement Process

1.1.A Objective

To establish policies and procedures for the effective handling and efficient timely payments of obligations of the Town to the employees for personal expenses incurred in order to efficiently fulfill one's responsibilities on behalf of the Town.

1.1.B Policy

When an employee has out of pocket expenses on behalf of the Town that are reimbursable by the Town, the employee shall submit an Employee Reimbursement Form. The form shall be approved and signed by the department head and turned over along with the **original** receipt to the Accounting Office. In the case of a department head getting reimbursed, the approval shall be signed by the Town Administrator. Employee out of pocket expenses should be limited to occasions when absolutely necessary.

1.1.C Procedures

- The employee submits receipts to the department head.
- The department head takes responsibility of deeming the expense necessary and work related.
- The department head determines the proper expense account to be charged.
- Employee Reimbursement Forms are to be submitted to the Accounting Office along with all other departmental bills payable in order for reimbursement to be made in the subsequent warrant.

1.1.D General Considerations and Guidelines

Reimbursement should only be made only when the expense could not be paid directly to the vendor, since these reimbursements can circumvent the 1099 tax process at the end of the year. Workshops and membership dues should go through the regular warrant process whenever possible to avoid out of pocket expenses unless absolutely necessary.

Employees must use the Town's Tax Exempt number when making purchases for the Town. Sales tax is not a reimbursable expense. The department head can obtain the tax exempt number from the Treasurer.

1.2 Employee Travel Expense Reimbursement

1.2.A Objective



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To establish policies and procedures for the effective handling and efficient timely payments of obligations of the Town to the employees for personal expenses incurred during necessary travel to conferences, trainings and meetings in order to efficiently fulfill one's responsibilities on behalf of the Town.

1.2.B Policy

When an employee has out of pocket expenses on behalf of the Town that are reimbursable by the Town, the employee shall submit a Travel Expense Form. The form shall be approved and signed by the department head and turned over along with the original receipt to the Accounting Office. Employee travel expenses should be limited to occasions when absolutely necessary and provide a public benefit.

1.2.C Procedures

- The employee submits receipts to department head.
- The department head takes responsibility of deeming the expense necessary and work related.
- The department head determines the proper expense account to debit.
- Travel Expenses Forms are to be submitted to the Accounting Office along with all other departmental bills payable in order for reimbursement to be made in the subsequent warrant.

1.2.D General Considerations and Guidelines

Mileage reimbursement must be detailed on a Travel Expense Form describing the destination and the number of miles traveled, including a printed map (from Google Maps or other similar website) detailing the exact mileage. Mileage to be paid at a rate consistent with the existing rate established by the Federal Government. Out of State Travel must be authorized in advance by the Town Administrator.

Reimbursement should be in methods that are at the least cost of the Town. Conferences offered by member-organizations usually offer hotel accommodations and meals. Any expenses incurred above these packages will be at the employee's expense unless the accommodations are equal or less than the package offered. If meals are not included in the conference, the employee will be reimbursed for three meals per day, including up to 20% tip. A Travel Expense Form should be submitted along with the detailed, itemized receipt. A summary credit card receipt without any itemized receipt is not acceptable. No alcoholic beverages will be reimbursed.

Workshops and membership dues should go through the regular warrant process whenever possible to avoid out of pocket expenses unless absolutely necessary. Employees should use the Town's Tax Exempt number when making purchases for the Town. Sales tax is not a reimbursable expense. The department head can obtain the tax exempt number from the Treasurer.

Seminar and conference reimbursement must be accompanied by conference description, cost, name of persons attending and a copy of a cancelled check (front and back), or a paid receipt with



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the company name and amount charged, a certificate of completion as evidence of payment, or other evidence of payment to acknowledge attendance.

1.3 General Invoice Payment Process

1.3.A Objective

To establish policies and procedures for the effective handling and efficient timely payments of vendor obligations incurred in order to efficiently fulfill department responsibilities on behalf of the Town.

1.3.B Policy

When a department has incurred expenses on behalf of the Town that are reimbursable by the Town, the department shall submit a Schedule of Departmental Bills Payable (a.k.a. Voucher). The voucher shall be approved and signed by the department head and turned over along with the original receipt to the Accounting Office. Documents submitted to the Accounting Office without prior authorization and supporting documentation will not be processed. Vendor payments shall be made directly to the vendor. Any checks being held for the department head becomes the responsibility of that department to ensure payments are distributed to the proper vendor.

1.3.C Procedures

Department Heads:

- Department heads must review the invoice. To avoid double payments, the Town will only pay from original invoices. Department heads must investigate any previous balances because they cannot be paid without an original itemized invoice and check to be sure that no sales tax is being charged to the Town. Sales tax is non-payable, as the Town is a tax exempt entity.
- All invoices must be signed by the department head to certify that 1) the goods have been received, 2) services have been provided, 3) delivery is satisfactory, and 4) that the supporting documents are accurate, complete and in compliance with all related laws and regulations.
- Attach procurement data form as required by the Uniform Procurement Act for any invoices subject to procurement.
- Department heads will prepare a Schedule of Departmental Bills Payable listing all bills to be paid with signature of approval by the department head or board majority. The voucher must include account name and expense account number to be charged, vendor name, amount to be paid to that vendor, and the total amount for the voucher.
- All bills shall be paid on one voucher, whenever possible, but a separate voucher for each department.
- Schedule of Departmental Bills Payable are to be submitted to the Accounting Office by 4:30 p.m. on Wednesday in order to be included on the next warrant. Any late submittals will not be processed until the following warrant.



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Accounting Office:

- The Departmental Assistant shall review all invoices submitted for: mathematical accuracy; vendor name and remittance address; sales tax removal; utilization of discounts; verification of fund and accounting code charged; compliance with procurement requirements; and sufficiency of funds.
- After entering all invoices, the Departmental Assistant shall run a preliminary warrant on the accounting system and verify that the warrant total agrees with the grand total of each department's Schedule of Bills Payable for the week. The preliminary warrant will also identify and allow adjustments to the warrant in progress due to any accounts with insufficient funds.
- The Departmental Assistant will process the vouchers and provide to the Town Accountant for review no later than the following Tuesday at 4:30 p.m.
- The Accountant shall review all invoices for: appropriateness of fund and account charges; sufficiency of funds; and confirmation that the expenditure is not fraudulent, unlawful or excessive. In the instance, under MGL Ch. 41 Section 56, of insufficient funds or suspicion of fraudulent, unlawful or excessive expenditures, the invoices shall be removed from the warrant by the Accountant and shall not be paid until budgeted funds are transferred or expenditure is researched for appropriateness. If a check has already been produced, the Accountant shall inform the Treasurer/Collector in writing of any invoices be withheld for payment.
- Checks are mailed on Thursday. All checks must be mailed directly to the vendor. The Town Treasurer must approve any exceptions.

1.3.D General Considerations and Guidelines

A majority of each elected board is required to sign the Schedule of Departmental Bills Payable, unless they have voted to approve one member as the authorized signatory. The Accounting Office shall maintain a listing by name and position with a signature for each municipal official authorized to make payments. The Accountant and a majority of the Select Board (or authorized signatory, i.e. Town Administrator) must sign the Vendor Warrant prior to payments being disbursed.

If it is determined that an adjustment must be posted to the accounting system for any reason, (i.e. incorrect account number reported) a written memo should be sent to the accounting department requesting the correction and detailing all appropriate information. The authorized signatory may also initial the change on the voucher in the Accounting Office.

Any credits due to vendor error that have already been charged to the department will be reimbursed to that expense account, provided proper documentation supporting the credit is submitted along with a memo stating the reason for the credit, and both the charge and credit are applied within the same fiscal year. Otherwise all reimbursements or credits will be deposited as revenue to the general fund.

Questions relating to whether an invoice has been paid should be directed to the Accounting office, and questions relating to whether a check has been cleared should be directed to the Town Treasurer.



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1.4 Clothing Allowance Reimbursement

1.4.A Objective

To establish policies and procedures for the effective handling and efficient timely payments of obligations of the Town to the employees for the contractual obligation of providing reimbursement for clothing purchased or cleaning provided to efficiently fulfill one's responsibilities on behalf of the Town.

1.4.B Policy

When an employee has incurred expenses for uniforms, equipment and clothing used during work related hours which may be reimbursable by the Town, the employee shall submit an Employee Clothing Reimbursement Form. The form shall be approved and signed by the department head and turned over to the Accounting Office. Payment shall be made to the employee via paper check for uniform reimbursement. Clothing purchased that does not constitute a uniform (suits, shirts, ties etc.) is taxable and will be indicated as such on the employee's W-2 form each calendar year. See IRS Publication 5138 for more information - <https://www.irs.gov/pub/irs-pdf/p5138.pdf>.

1.4.C Procedures

- Employees shall submit a signed Employee Clothing Reimbursement Form to the department head or their designee along with the original receipt.
- The department head takes responsibility of deeming the purchase accurate and work related.
- The department head determines the proper expense account to debit.
- The department head signs and submits the Clothing Reimbursement Form to the Accounting Office along with the Schedule of Departmental Bills Payable.
- Clothing Reimbursement Forms must be submitted by the department head to the Accounting Office by 4:30 on Wednesday in order for reimbursement to be made the following period.

1.4.D General Considerations and Guidelines

Reimbursements will only be made if it is a contractual responsibility of the Town. Original receipts must be submitted in order for reimbursement to be made. Any request for reimbursement without proper receipt will not be made. Checks must be picked up and signed for at the Treasurer's office by the department head or their designee. If checks are to be mailed or picked up directly by the employee, the Treasurer's office must be notified on Wednesdays, the day prior to disbursement.



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1.5 Payroll Process

1.5.A Objective

To establish policies and procedures for the effective handling and efficient timely payments of obligations of the Town to the employees for personnel services incurred while efficiently fulfilling one's responsibilities on behalf of the Town.

1.5.B Policy

When an appointed or elected employee on behalf of the Town has worked for the Town during the course of the week they shall be compensated by the Town. The employee, if hourly, shall submit a signed employee time sheet. The time sheet shall be approved and signed by the department head and turned over to the Accountant's office along with the signed departmental payroll summary sheet. Any unsigned payroll sheets will not be processed. Payments may be made to the employee via a payroll direct deposit only, as required by Town Meeting vote.

1.5.C Procedures

- Employees submit signed time sheets to the department head or their designee. The department head takes responsibility of deeming the time accurate and work related.
- The department head determines the proper expense account to debit.
- The department head signs and submits the signed departmental payroll summary sheet to both the Treasurer's and Accountant's Offices by 8:00 a.m. on Mondays of the payroll week.
- The Accountant's Office shall validate all payroll, calculate the total payroll by department and review with the Treasurer's office by 10:00 a.m. on Tuesday.
- The Treasurer's Office shall validate all payroll, input pay and time off onto Harper's System, validate accruals and time are accurate, and review with the Accounting Office by 10:00 a.m. on Tuesday.
- Payroll must be submitted by Tuesday at 12:00 noon, and direct deposits are available in employees' accounts on Thursday morning.

1.5.D General Considerations and Guidelines

All employee hourly work records must be accumulated according to town policies and procedures, and/or relevant contracts. When completing the payroll summary sheets, the department head must enter the total amount of hours for each employee, as a requirement for internal control and reconciliation of payroll. The department head must sign each individual time sheet as well as the departmental payroll summary sheet.

Department heads must use the separate Employee Stipend Form for unusual or infrequent pay. This includes retroactive pay adjustments, annual or monthly payments, and one time payments.

Direct deposit payroll transmissions are made to the bank on Thursday of the pay week. If any employee needs to hold back direct deposit for any reason, they must submit the request to the



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Treasurer prior to the transmission to the bank. Direct deposit check stubs can be picked up and signed for in the Treasurer's office by the department head or their designee on Thursday mornings. The signor is responsible for the safe delivery of the check stubs to the individual employees.

Occasionally, holidays may require early submission of payroll. The Treasurer will make notification to all employees as necessary.

No changes can be made to an employee's payroll deductions without prior authorization and notification to the Treasurer. Withholdings and personal data changes require employees' written authorization. Forms are available in the Treasurer's office. No changes are made to any employee's pay rate, general ledger coding, or status change without a Personnel Action Form filled out by all responsible parties and submitted to the Treasurer's Office.

The Accountant and a majority of the Select Board (or its authorized designee) must sign the Payroll Warrant prior to payments being disbursed.

The Treasurer/Collector is responsible for reporting to the IRS and the Commonwealth of Massachusetts. Quarterly reports must be filed with the IRS (941 and 945) and the Commonwealth of Massachusetts. Biweekly employment taxes are paid to the IRS and the Commonwealth.

1.6 Encumbrances

1.6.A Objective

To establish policies and procedures for the effective handling and efficient timely payments of obligations to vendors for purchases made on behalf of the Town that are incurred and may not have been received or billed prior to the close of the fiscal year.

1.6.B Policy

When a department has incurred expenses on behalf of the Town in which the supplies have not been delivered but incurred or has been delivered and not invoiced prior to June 30 of the current fiscal year, the department shall submit a Request for Encumbrance Form. The form shall be approved and signed by the department head. Documents submitted to the Accounting Office without proper authorization and supporting documentation will not be processed. Upon receipt of the invoice, the department head must specify on the Schedule of Departmental Bills Payable those items that had previously been requested as an encumbrance.

The Town Accountant will provide an End of Year Memo to all department heads, boards and commissions to provide deadline dates for that specific year as a guideline to all employees. Invoices of the previous fiscal year must be paid by July 15th or they must be encumbered. The detailed list of encumbrances must be submitted to the Accounting Office by July 15th of each year.



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1.6.C Procedures

- When reviewing all invoices for the warrant, the Departmental Assistant in the Accounting Office must thoroughly review the invoice. If the order or service date of the invoice is from the previous fiscal year, it may not be paid without an encumbrance (or Special Town Meeting vote if it is a prior year bill).
- On July 15th, the Town Accountant will review all Request for Encumbrance Forms to ensure each department requesting the encumbrance has enough funding to cover the expense from their fiscal year budget.
- The Accountant will create an account number for each encumbrance in the system under Fund 03, and will book the total encumbrances as a Reserve for Encumbrance on the balance sheet.
- Once encumbered, the Accountant will provide the department heads with a list of the encumbered funds, and they can pay the invoices approved as encumbrances from Fund 03.
- All encumbrances in Fund 03 close out at the end of the following fiscal year if they are not spent.

1.6.D General Considerations and Guidelines

An encumbrance is a commitment to expend funds for performed contracts for goods and services received. The commitment must be evidenced by a purchase order, order form, procurement form, or written contract between the Town and the vendor. End of the year encumbrances usually occur because goods have not been delivered, or goods have been received but an invoice has not been rendered, or the services of a contract have not been completed by June 30 of the fiscal year in which the PO or contract was signed. Encumbrances cannot be used for an undetermined liability that might occur in the future because of something that happened this fiscal year.

1.7 Inter-Departmental Transfers

1.7.A Objective

To establish policies and procedures for the effective handling and efficient timely processing of unforeseen expenditures for payments above appropriation.

1.7.B Policy

This policy sets forth internal procedures for appropriation transfers in compliance with MGL Chapter 44 §33B. The amendments to Chapter 44 in 2016 granted municipalities more flexibility to execute year-end budget transfers during the last two months of the fiscal year, (i.e., May and June, and the first 15 days of July of the new fiscal year), the statutory period for closing municipal financial records. G.L. c. 44, §§ 56 and 56A. These changes were made by the Municipal Modernization Act, which took effect on November 7, 2016. St. 2016, c. 218, §§ 75 and 76.



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1.7.C Procedures

- During any Town meeting, a vote may be taken to transfer from any department or within a department an appropriation by submitting an article on the Town meeting warrant.
- Alternatively, a request to transfer a sum of funds must be completed by the department head and submitted to the Town Accountant during the final two months of the fiscal year (as outlined in the End of Year Memo provided by the Town Accountant). Requests must include the account to transfer from and the account in which the transfer is to be made.
- The Accountant must provide balances in all accounts being transferred and accounts to be transferred to prior to submittal to the Select Board and Finance Committee.
- Majority vote of the Select Board and the Finance Committee must be received prior to transfer being fulfilled.
- Copies of vote shall be distributed to the Accounting Office, the department requesting the transfer and the Finance Committee shall retain a copy.
- After approvals have been established, the Accounting Office shall amend the budget appropriation to reflect the approval.

1.7.D General Considerations and Guidelines

Transfers can be made within a single department or between departments with the approval of the Town Administrator but cannot be made from the school department. Transfers have no amount limitation.

Throughout the year, the anticipation of possible year-end transfers is both normal and expected due to changing operating conditions, unforeseen or expanded town needs, emergencies, and fluctuations in financial conditions. Most changes will be minor and handled by the Finance Director, Town Administrator, and relevant Department Heads without additional process. However, "significant" changes meeting one of the following criteria require public agreement the Select Board and Finance Committee:

1. Support a permanent increase in the town's employee full or part-time FTE headcount (not including season or temporary), or
2. Create a new department of the town, or
3. The addition of new service contracts who's net expense is greater than \$50,000.
4. Involve a transfer of more than \$50,000.

For any transfer deemed "significant", the Finance Committee and Select Board must both approve, by majority vote, the intent in an open meeting before the funds are expended. The "intent" authorizes the expenditure and signals the intention of both boards to approve the final budget reconciliation transfers during the budget reconciliation period. Note that in the circumstance that the Finance Committee is unable to raise a quorum in a reasonable amount of time, the affirmative vote of the Select Board will be sufficient for agreeing with the intent.

1.8 Reserve Fund Transfers



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1.8.A Objective

To establish policies and procedures for the effective and efficient handling and timely processing of unforeseen expenditures for payments above appropriation.

1.8.B Policy

Under MGL 40 § 6, Towns may reserve a sum of money appropriated by Town meeting to be used at the discretion of the Finance Committee to cover extraordinary or unforeseen expenses that arise during the fiscal year.

1.8.C Procedures

- A Reserve Fund Transfer Request must be completed by the department head and submitted to the Accounting Office in triplicate. Voucher must include account in which the transfer is to be made.
- The Accountant must provide balances for the accounts being transferred to and the overall departmental remaining budget prior to review by the Town Administrator and submittal to the Finance Committee.
- The Accountant will make notification to the Finance Committee Chair for inclusion at the next available meeting.
- Majority vote of the Finance Committee must be received prior to the transfer being fulfilled.
- Copies of the vote shall be distributed to the Accounting Office, the department requesting the transfer and the Finance Committee shall retain a copy.
- After approvals have been established, the Accounting Office shall amend the budget appropriation to reflect the approval.

1.8.D General Considerations and Guidelines

The reserve fund is to be used for “extraordinary or unforeseen expenditures” as determined by the Finance Committee. The Finance Committee acts in place of special town meeting, thus saving the Town the expense of such meeting. The Finance Committee cannot approve any reserve fund transfer request for a purpose that the Town meeting has already voted against.

Funds cannot be expended directly from the reserve fund. The funds must be transferred to the existing account where they can be spent for the requested purpose. Any unexpended balance should remain earmarked, and should not be used for another purpose or be transferred back to the reserve fund. Request should be made for unpaid or future expenses, not to reimburse an account for expenses that have already been paid. Under the MGL expenditures in excess of appropriation is strictly forbidden. Consequently, departments should never incur expenses in excess of appropriation before approval of the reserve fund transfer.

1.9 Prior Year Unpaid Bills



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1.9.A Objective

To establish policies and procedures for the effective handling and efficient timely payments of vendor obligations incurred and not paid in the prior fiscal year in order to efficiently fulfill department responsibilities on behalf of the Town.

1.9.B Policy

The policy of the Town is to assure integrity to the Annual Budget by charging all invoices to the proper fiscal year via an encumbrance of current year funds. In the event that an invoice is not submitted by the department head for payment in the appropriate fiscal year, it shall be submitted under MGL 44 § 64 with 4/5 approval of Annual Town meeting vote or 9/10 approval of Special Town meeting vote authorizing the Town to pay for expenses that are legally enforceable and not paid or appropriated from prior years for goods, materials or services ordered and received and not paid by available means specified by the vote.

1.9.C Procedures

- In the event any department submits a bill from the prior year on a Bill Schedule, it shall be removed from the Bill Schedule and the Accountant will have a discussion with the department head.
- In the case of any expenditure in excess of appropriation, the Accountant shall forward the invoice and an explanation of the facts to the Town Administrator. The Accountant will make a recommendation to the Town Administrator relative to the payment of the unpaid bill and potential funding options.
- The Town Administrator will present recommendations to town meeting for the payment of the unpaid bill of a prior fiscal year with an explanation of the facts and circumstances as to why the bill was not paid within the proper fiscal year. The appropriation may be funded at Town Meeting from any available funds.

2.0 CAPITAL PLANNING AND FIXED ASSETS

2.1 Capital Planning Improvement

2.1.A Objective

To establish policies and procedures to effectively maintain and improve the Town's infrastructure and protect the value of its capital assets.

2.1.B 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 will maintain a Capital Improvement Program (CIP) overseen by the Town Administrator, Finance Director, and Select Board, to identify and prioritize projects, analyze funding, and create a long-



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term financial plan achievable within the Town's budget limitations. The Town shall maintain 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 preventative maintenance as a cost-effective approach to capital reinvestment and replace exhausted goods as necessary.

2.1.C Procedures

- Each year, the Town Administrator and Finance Director shall submit a five-year capital improvement plan to the Select Board and Finance Committee by the end of December. To qualify as a capital expenditure, a proposed capital item or project must have a useful life of five years or more and must exceed \$10,000 in cost.
- By the end of October of each year, all officers, department heads, boards, commissions and committees shall submit to the Town Administrator information concerning all anticipated capital projects and purchases requiring Town Meeting action.
- At minimum, the following principals will guide the development of the CIP:
 1. The Town Administrator and Finance Director will prepare forms and instructions and coordinate development of the capital improvement budget.
 2. Future operating costs associated with new capital improvement will be projected and included in operating budget forecasts, as appropriate.
 3. Capital projects will be evaluated and prioritized 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 increasing property values;
 - Provides new programs having social, cultural, historic, economic, or aesthetic value;
 - Or uses outside financing sources, such as grants.
 4. Federal, state, or private grants or loans shall be used to finance only those capital improvements that are consistent with the Town's capital improvement plan and priorities, and for which operating and maintenance costs have been included in operating budget forecasts.
 5. All assets shall be maintained at a level adequate to protect the Town's capital investment and to minimize future maintenance and replacement costs.
 6. Equipment replacement and building repair needs shall be projected for the next five years and will be updated each year. From this projection, a maintenance and replacement schedule will be developed and followed.
 7. Capital projects shall be prioritized based upon criteria establish by the Town.



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8. The estimated costs and potential funding sources for each proposed capital project shall be determined before it is submitted to Select Board and Town Meeting for appropriation.

2.1.D General Considerations and Guidelines

Long-term debt is an appropriate funding source for certain types of projects, while current revenue should be used for assets with short useful lifespans. The Town will strive to maintain 2-5% of the general fund operating budget (net of debt) on capital investment allocations. Funding will be derived from a combination of the capital stabilization fund and available reserves.

2.2 Fixed Asset Capitalization

2.2.A Objective

To establish policies and procedures for the effective and efficient handling of fixed asset capitalization.

2.2.B Policy

The determination of whether or not Town property purchases are to be capitalized as fixed assets shall be the responsibility of the Finance Director. Such determination will be made at the time that a purchase order or contract is approved.

Generally, assets are capitalized when the useful life is greater than one year and the acquisition cost meets the capitalization threshold. Purchased or constructed assets and infrastructure are reported at acquisition cost, construction costs or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

Assets will be depreciated on a straight-line basis over the estimated useful lives.

<i>Assets</i>	<i>Capitalization & Depreciate</i>	<i>Useful Life (years)</i>
Land	Capitalize Only	
Land Improvements	\$25,000	10-15
Buildings & Building Improvements	\$50,000	20-40
Machinery & Equipment	\$10,000	10-15
Software	\$10,000	5
Vehicles	\$10,000	5-15
Infrastructure	\$25,000	20-40
Construction in Progress	Capitalize Only	

2.2.C Procedures



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- Obtain contract or estimate from vendor and have the purchase pre-approved by the Chief Procurement Officer.
- Apply the contract or estimate to the Fixed Asset Master Control Spreadsheet.
- Update Master Control Spreadsheet with totals once project is complete or sale has been finalized.

2.3 Additions

2.3.A Objective

To establish policies and procedures for the effective and efficient handling of fixed asset additions.

2.3.B Policy

Each department will notify the Town Administrator and Town Accountant of any addition of property to ensure the appropriate changes are made to the master list.

2.3.C Procedures

- After property has been received, the purchasing department will send a copy of the invoice and a complete Asset Control Sheet to the Town Accountant at the same time the invoice is submitted for payment.
- The Accountant will input the information on the Fixed Asset Master Control Sheet.

2.4 Disposals

2.4.A Objective

To establish policies and procedures for the effective and efficient handling of fixed asset disposals.

2.4.B Policy

Each department will notify the Town Accountant and Town Administrator of any deletions of property to ensure the appropriate changes are made to the master list. Deletion of assets from the system will require authorization from both the Town Accountant and the Town Administrator.

2.4.C Procedures

- After property has been approved for disposal, a signed copy of the Asset Control Sheet shall be sent to the Accountant.
- The Accountant will delete the information from the Fixed Asset Master Control Sheet.
- Deletion due to disappearance of items may require additional reports to the police department and insurance company. Deletion brought about as a result of natural disasters would require reporting to the insurance provider for a reimbursement claim. Deletion as a result of Surplus



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Property Disposal as approved by the Select Board requires a copy of the form approved by the Select Board.

2.5 Security

2.5.A Objective

To establish policies and procedures for the effective and efficient handling of fixed asset security.

2.5.B Policy

Department heads shall be directly responsible for the physical safekeeping of any fixed assets controlled by or used by their department. The Town Administrator shall ensure that all moveable fixed assets are insured against fire and theft and that all municipal buildings are insured against fire and allied perils.

2.5.C Procedures

- Assets should be kept in a secure location, maintained regularly, insured against theft or destruction, and utilized economically and efficiently.

2.6 Responsibility

2.6.A Objective

To establish policies and procedures to institute responsibility over fixed assets.

2.6.B Policy

The department head is responsible for providing information to the Finance Department. Any changes should be reported as soon as possible. All transactions and communications regarding fixed assets will be directed to the department head.

The department head is also responsible for identifying and reporting non-purchase fixed assets acquisitions to the Finance Department. Such acquisitions could come from but are not limited to gifts, transfer, legal confiscation, and loans.

The department head is also responsible to report all changes in fixed assets. Such changes include but are not limited to change in condition, enhancements and transfers.

2.6.C Procedures

- All amendments, deletions or additions to the fixed assets register shall be made by the Accounting Office upon receiving a completed Asset Control Sheet.
- The Accountant will input all information into the Fixed Asset Master Control Sheet.



Financial Policies and Procedures

3.0 FRAUD AND INTERNAL CONTROLS

3.1 Fraud Risk Assessment

3.1.A Objective

To establish policies and procedures for the purpose of ensuring that all parties are aware of their responsibilities for identifying exposures to fraudulent activities and for establishing controls and procedures for preventing such fraudulent activity and/or detecting such fraudulent activities when it occurs. To provide guidance to staff as to the action, which should be taken where they suspect any fraudulent activity. To provide a clear statement to staff forbidding any illegal activity, including fraud for the benefit of the Town. To provide assurance that any and all suspected fraudulent activity will be fully investigated.

3.1.B Policy

The Town of Plainville department heads have the ultimate responsibility for the prevention and detection of fraud and are responsible for ensuring that appropriate and effective internal control systems are in place.

All department heads must ensure that there are mechanisms in place within their area of control to:

1. assess the risk of fraud,
2. educate employees about fraud prevention and detection, and
3. facilitate the reporting of suspected fraudulent activities.

All employees share in the responsibility for the prevention and detection of fraud in all areas of their responsibility. All employees have the responsibility to report suspected fraud. Any employee who suspects fraudulent activity must immediately notify their supervisor or those responsible for the investigations. In cases where the supervisor is suspected of involvement in the fraudulent activity, the matter should be addressed with the next highest level of supervision.

Any fraud by any employee shall constitute grounds for dismissal.

3.1.C Procedures

- Fraud prevention accounting procedures shall be incorporated in the Town's policies related to Cash Management and Investment.
- All complaints of suspected fraudulent behavior will be investigated, while also providing for the protection of those individuals making the complaint and natural justice to those individuals being the subject of any such complaint.
- Where a *prima facie* case of fraud has been established the matter shall be referred to the police. Any action taken by the police shall be pursued independently of any employment related investigation by the Town.



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- Recruitment strategies shall incorporate fraud prevention:
 1. Applicants shall be required to undergo CORI checks where required by the duties of the position.
 2. Previous employers shall be contacted.
 3. Transcripts, qualifications and other certification or documentation shall be validated.
- Fraud prevention and detection issues will be included in relevant staff development and induction activities.

3.2 Internal Controls

3.2.A Objective

To establish policies and procedures for the purpose of safeguarding the Town's monetary and physical assets. To provide guidance to staff as to optimal use of those resources placed under the Town's control and the effective management of the resources. To provide assurance that the costs of internal controls should never exceed the financial and non-financial benefits. To establish whenever feasible or possible a rotation of duties. To create a culture that stresses the importance of internal controls and leads by example.

3.2.B Policy

The Town of Plainville employees have the ultimate responsibility for the safeguarding of the Town's assets.

1. Select Board and Town Administrator	Sets the standard for the control environment. Maintains accountability for internal controls and risk management. Support the Town's control and risk management activities.
2. Department Heads	Are directly responsible and accountable for operations. Are responsible for the effectiveness of internal controls and how they relate to the Town's objective. Shall periodically assess risk and the control environment.
3. Finance Director	Monitors the financial implications of operating management responsibilities. Provides financial management and guidance to design proper controls. Establishes, executes and monitors for the adequacy of internal controls and their effectiveness. Monitors exposures and makes recommendations. Challenges and validates management control environment assertions.



Financial Policies and Procedures

4. Employees	Ability to communicate information without fear of negative repercussions. Have regular and direct communication with management.
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The Town must ensure that there is a rational well-defined organizational structure with employee's assigned specific powers and duties for which they are accountable. The assignment of authority and responsibility must clearly be communicated and documented to avoid situations where "everyone is responsible" but "no one is responsible".

The Town shall have sound personnel policies and practices with well-defined job descriptions and appropriate job qualifications. The Town must ensure that employee skills remain up-to-date by providing training and evaluation.

Management must monitor operations and investigate discrepancies between actual performance and anticipated results. Management must ensure the management styles are appropriate "accepted" behavior for employees. Management tone offsets if there are significant penalties or unequal treatment of employees for improper behavior or lack of performance.

Policies should be in writing stating which individuals have the authority to authorize each different type of transaction. The policy should include documentation on how transactions and events are processed.

3.2.C Procedures

o Internal Controls for Revenue and Collections

1. Billing systems should be designed and maintained such that the wrong person or account is not billed, that incorrect amounts are not billed and that the billing is recorded correctly ensuring reliable data for financial reporting.
2. Safeguards shall be designed, implemented and maintained such that cash cannot be recorded yet deposited, cash cannot be deposited yet not recorded and that cash amount is not recorded incorrectly whether it is to the wrong account, the wrong amount or the wrong period.
3. Cash is secured at all times.
4. Cash deposits are not counted at the counter in front of customers.
5. No more than \$200 will be maintained in the cash drawer as a change fund at any given time.
6. Cash is counted daily and deposited to the Treasurer.
7. Deposits shall be compared to receipts and bank statements reconciled to the general ledger.
8. Performance indicators will be researched and reconciled.
9. The Accounting Officer will review all aging accounts on the receivable report, including dollar amounts and age of accounts.
10. The Accounting Officer will identify any trends and will suggest an action plan to the Town Administrator.



Financial Policies and Procedures

- **Internal Controls for Purchasing and Accounts Payable**

1. Purchasing and accounts payable systems should be designed and maintained such that the wrong persons or account is not billed, the incorrect amounts are not billed and that the billing is recorded correctly ensuring reliable data for financial reporting.
2. Safeguards shall be designed, implemented and maintained such that all purchases are properly recorded and paid in a timely manner after verification that the goods and services have been supplied and that all transactions are accurate and complete.
3. Prior to purchase there is proper authorization.
4. Prior to purchase bid requirements have been satisfied.
5. Prior to purchase there is sufficient budget available.
6. The Accounting Officer shall ensure that the proper recording and release of encumbrances occurs.
7. Requisitioning of supplies and services shall be initiated in such a manner as to take advantage of discounts due to volume, timing and discounts.
8. All expenditures shall be reflected in accounting records in proper line items.
9. The payment amount will match the invoice amount.
10. All expenditures will be allocated to the correct period.
11. All expenditures will be charged to the correct fund or account.
12. All invoices will contain sufficient information to identify the payee's existence and verification of the occurrence of the expense.
13. The Accounting Departmental Assistant shall confirm invoice numbers to avoid duplicate payments.
14. Checks shall be matched to invoice before being issued checking for correct vendors and dollar amount.
15. Department heads and the Accounting Office shall monitor all grant funds to ensure that all purchases and payments are in grant compliance to avoid ineligible expenditures.
16. The Accounting Office will monitor all purchases and expenditures and watch for exceptions.
17. All new vendor request shall be properly authorized by the department head and contain physical address, mailing address, telephone number, contact and federal tax identification number. No vendors will be entered in the system without proper tax information.

- **Internal Controls of General Ledger**

1. The general ledger system should be designed and maintained such that the activity is accurate and complete, ensuring reliable data for financial reporting.
2. The general ledger accounts shall be reconciled monthly and match subsidiary systems.
3. The Accounting Office will complete a budget to actual monthly report for all departments.
4. Bank reconciliation will be reviewed to see if there are any unexplained differences between the cash reported by the bank and accounting records.
5. An annual physical inventory of equipment will be completed and compared to the accounting records. Any unaccounted differences will be reported to the Town Administrator.



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- **Internal Controls for Payroll**

1. Payroll systems should be designed and maintained such that the wrong person is not paid nor paid the wrong amount, that terminated employees are not paid, and that changes to the system are properly authorized. Payroll activity should be recorded correctly, ensuring reliable data for financial reporting.
2. Safeguards shall be designed, implemented and maintained such that the payroll expenditures are properly recorded and paid in a timely manner and additional safeguards are in place to ensure that all transactions are accurate and complete.
3. The Accounting Office shall ensure that all pay calculations are correct and error free and paid to actual employees.
4. The Accounting Office shall watch that the employees are not overpaid, that the pay is not inflated, that the employees are not paid for work not done, and that underpayment does not occur. All salary increases must be properly authorized via the Personnel Action Form.
5. All payroll expenditures shall be allocated to the correct fund and line item.
6. All payroll expenditures shall be charged to the correct period.
7. All payroll documentation including time sheets and overtime are properly approved by the department head prior to payroll preparation.
8. All payroll and personnel records should be properly designed so that changes in salaries and wages are properly documented in personnel files.
9. All payroll and personnel records will be secured.
10. There will be a segregation of compatible duties ensuring that the allocation of wages and salaries is accurate.
11. Periodic reconciliation of payroll records will include a reconciliation of the current payroll to the previous payroll, hours keyed and paid will be compared to the time sheets, and monthly withholding records compared to the general ledger.
12. Periodic verification of payroll will include payroll calculations checked by a second employee and eligibility for fringe benefits verified.

- **Internal Controls for Personnel**

1. All applicants will complete the Town of Plainville employment application, which will be checked for completeness and reasonableness.
2. All positions will have a job description.
3. A background check will be completed on all potential employees along with a driver's license check as necessitated by the position.
4. An insurance bond will be required for all employees deemed necessary by MGL cash handling limitations.
5. The Town will only hire qualified applicants who have demonstrated evidence of integrity and ethical behavior.
6. Job description should be designed such that areas of responsibilities and authority are clearly defined and understood.
7. The Town shall provide employees with ongoing and relevant training.
8. The Town will take appropriate action for deviating from policies.



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9. The Town has zero tolerance for unethical and dishonest behavior.
10. There will be equal treatment for all employees regardless of position or title.

3.2.D General Considerations and Guidelines

Risks Assessment:

- Identify critical processes and establish objectives for those processes.
- Identify risks to achieve objectives and evaluate the likelihood and magnitude of the risks. Consider quantitative and qualitative factors.
- Prioritize the risk and design control activities to mitigate them.
- Properly authorize all transactions.
- Ensure custody of assets.
- Properly design and maintain accounting records and documentation. The person performing a transaction should not be the same person entering the transaction in the Town's ledger. Periodic backups should be maintained and the Town's disaster recovery plan should be updated annually at a minimum.
- Accounting data are periodically compared with underlying items they represent. At a minimum there should be a periodic reconciliation of ledger accounts to include verification and analytical review.

4.0 CASH AND CASH INVESTMENTS

4.1 Cash Receipts

4.1.A Objective

To establish policies and procedures for the effective and efficient handling and timely turnover of Town monies collected by departments, boards and commissions.

4.1.B Policy

It is the Town's policy that the Treasurer/Collector's office is solely responsible for the entry of cash receipts to the financial system. The Treasurer/Collector's office is responsible for all bank deposits. In all instances the town departments must turnover receipts to the Treasurer's Office not less than once a week. At a minimum, revenue shall be turned over immediately to the Treasurer's office when the department has collected \$250 in cash or \$500 in checks.

It is each department's responsibility to establish procedures to safeguard the collection and remittance of receipts until turned over to the Treasurer; said procedures must be approved by the Treasurer and Accountant.

The Treasurer must give bond annually consistent with the provisions of MGL Ch. 41 § 35. The Finance Director shall verify that the Treasurer has given bond as required.



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The Finance Director shall periodically, but not less than once per year, perform site visits to the departments to audit the receipt process.

4.1.C Procedures

- All license and permit forms must be ordered and pre-numbered.
- License and permit stock must be controlled by a responsible departmental employee and stored in a secure location.
- Duplicate, pre-numbered receipt forms should be issued for all departmental receipts.
- All checks received should be immediately stamped “for deposit only”.
- All receipts should be recorded in a receipt book or on a spreadsheet. The book or spreadsheet should include the following:
 - Date
 - Payer
 - Receipt number
 - License/permit number
 - Amount
 - Notation (cash or check)
- The receipt log should be subtotalized and dated whenever a turnover of receipts to the Treasurer is made. The subtotal should be for the exact amount of the turnover.
- All departmental receipts that are not remitted to the Treasurer immediately must be kept in a secure location, with no access to other departmental employees or the public.
- Receipts held overnight must be kept in a locked safe or cabinet, with no access to other departmental employees.
- Departments are not permitted to issue licenses or permits at no fee, or waive any established customer charges. The only fee that may be waived is for permits or licenses issued to the Town of Plainville.
- Departmental receipts should never be commingled with any departmental employee’s own personal money. Employees should not make change for customers with their own money.
- Departmental receipts should never be used to cash checks for Town employees or the public.
- No disbursements may ever be made from any departmental receipts. All receipts must be remitted to the Town Treasurer intact. All disbursements must be paid through the Town warrant.
- Cash and checks on hand should be counted and proven to the receipt log. A departmental employee that was not involved in the receipt process, if any, should perform this.
- Turnovers to the Treasurer should be made whenever total cash receipts reach \$250 or weekly, whichever occurs first. In no circumstances should receipt turnovers be less frequent than weekly, and must be made within five workdays from month end.
- Turnovers to the Treasurer should be summarized on preprinted departmental receipt turnover forms. Each department’s form should be unique, including the following preprinted information:
 1. name of department
 2. turnover number
 3. space for date of turnover



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4. space to enter range of departmental receipt form numbers
5. names of all applicable revenue/receipt accounts to be posted to general ledger
6. general ledger account numbers of revenue/receipt accounts to be posted
7. space to enter amounts of receipts for each applicable account
8. a line to track cash short and over
9. total of turnover, including a breakdown of cash and checks
10. space for signature of responsible departmental personnel and department head

- The turnover form should be made in triplicate, with one copy remitted to the Treasurer with the money, one directly remitted from the department to the Town Accountant, and one retained by the department.
- The Treasurer must sign the turnover forms as proof of receipt to the department documenting that the amount of cash/checks turned over agrees with the turnover form total. This receipt form should be attached to the departmental copy of the receipt form, and retained in a chronological file for the fiscal year.
- Departments should retain documentation, including receipt logs, customer receipt books, duplicate copies of licenses and permits, and turnover forms for a minimum of five years.
- No departments, other than the Town Treasurer/Collector are authorized to maintain their own bank accounts.

4.2 Cash Disbursements

4.2.A Objective

To establish policies and procedures for the effective and efficient handling of cash disbursements.

4.2.B Policy

The Town policy is that accounts payable payments shall be made weekly and payroll payments shall be made bi-weekly and only from warrants duly signed and approved by the Select Board (or its designee in the Town Administrator) and the Town Accountant. The Treasurer or their designee shall be responsible for the disbursement and mailing of all accounts payable checks and to assure that all town checks are delivered only to the designated vendor.

4.2.C Procedures

- After the Select Board (or Town Administrator) and the Town Accountant have signed the warrant(s), the signed warrant will be delivered to the Treasurer/Collector (or designee).
- The Treasurer/Collector shall verify, consistent with MGL Chapter 41 § 41, that all payroll disbursements have been sworn (signed) by the department head or lawful designee.
- The Treasurer/Collector runs the checks in the financial system and prints them. Whenever possible, direct deposits for payroll and wire transfers for vendors is desirable.
- The Accountant's office provides all of the invoices that are included on the warrant to the Treasurer. The Treasurer/Collector's office then matches each invoice with the respective check and verifies the vendor, address, vendor number and the amount paid.



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- When the Treasurer/Collector's office has printed the checks, two copies of the check register are produced. The Treasurer/Collector retains one copy and delivers one copy to the Accountant.
- At the point the Treasurer/Collector designee has audited all invoices and checks, the check can be mailed to the vendors at the invoice addresses to assure sound control of disbursements.
- Release of checks (other than via mail) will be done only in extenuating circumstances. The Treasurer/Collector will hold the check for pickup by the vendor. Only the Treasurer can approve the release of a check to an individual instead of mailing the check to the authorized address of the vendor.

4.2.D Emergency Disbursements

The Town policy is that only in extenuating circumstances will the Treasurer/Collector allow the issuance of a manual check outside of the normal warrant process.

- In a bona fide emergency where payments must be made to a vendor outside of the normal accounts payable process, the Accountant and the Town Administrator must sign a form authorizing payment to the same standards as for a normal warrant. All documentation to substantiate the reason and receipt of services shall be submitted within five days.
- The Treasurer/Collector shall produce the manually produced check upon receipt of the signed authorization of the Accountant and Town Administrator.
- The Treasurer/Collector must provide the Accountant with a copy of the manually produced check.
- The Accountant must include this payment on the next weeks' financial system produced warrant as a "no check" item to assure that the payment is posted to the general ledger and charged to the respective department's appropriation.

4.3 Investments: General Fund, Special Revenue Funds, Enterprise Funds, and Capital Projects Funds

4.3.A Scope

This section of the policy applies only to short term operating funds such as general funds, special revenue funds, enterprise funds, bond proceeds and capital project funds. Section 4.4 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.

4.3.B Objectives

Massachusetts General Laws, Chapter 44, section 55B requires municipal treasurers to invest all public funds except those required to be kept uninvested for purposes of immediate distribution. Modern banking systems enable the treasurer to maintain even these funds in interest bearing form until the date a disbursement order clears through the banking system.



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

- **Safety** of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of 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 carry out investment activities in a manner that provides for meeting unusual cash demands without 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.

4.3.C 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 of a lower interest rate. The Treasurer negotiates for the highest rates possible, consistent with safety principles.

The Treasurer may invest in the following instruments:

1. 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 and currently managed by Fidelity Investments. It invests in banker's acceptances, commercial paper of high quality, bank certificates of deposit (hitherto termed C.D.'s), repurchase agreements (Repos), and U. S. Treasury obligations. It has Federal Deposit Insurance Corporation (F.D.I.C.) pass-through insurance on the C.D.'s and takes delivery on the Repos and Treasuries. Under Government Accounting Standards Board Regulation (GASB III), it is not considered an uncollateralized product.
2. U. S. Treasuries that will be held to maturity: **Unlimited amounts** (Up to one-year maturity from date of purchase)
3. U.S. Agency obligations that will be held to maturity: **Unlimited amounts** (Up to one-year maturity from date of purchase)



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4. Bank accounts or Certificates of Deposit which are fully collateralized through a third party agreement: **Unlimited Amounts** (Up to one year)
5. Bank accounts and C.D.'s insured by F.D.I.C. up to \$250,000 limit for all bank accounts and C.D.'s in one institution which are considered in the aggregate to receive the insurance coverage. In some cases, Banking Institutions carry additional insurance, Depository Insurance Fund of Massachusetts (D.I.F.M): **\$250,000 limit** (under FDIC) **or up to total covered by additional DIFM insurance** (Up to one year)
6. 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 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 10% of a municipality's cash**. Their credit worthiness will be tracked by Veribanc, Sheshunoff, or other bank credit worthiness reporting systems and money market mutual funds must be registered with the Securities and Exchange Commission. They will be diversified as much as possible. C.D.'s will be purchased for no more than three months and will be reviewed frequently.

4.3.D Diversification

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

4.3.E Authorization

The Treasurer has authority to invest municipality/district funds, subject to the statutes of the Commonwealth cited above.

4.3.F Ethics

The Municipal Treasurer (and any Assistant Treasurers) 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 Finance Director 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.

4.3.G Relationship with Financial Institutions

Financial institutions should be selected first and foremost with regard to safety. Municipalities should subscribe to and use one or more of the recognized bank rating services, such as Veribanc or Sheshunoff. Brokers should be recognized, reputable dealers.



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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 time table for it to be changed to green.

If for a second quarter such rating has not been corrected, the Treasurer should consider removing all funds that are not collateralized, or carry some form of depositor's insurance.

If a rating moves to red, all money should be immediately collateralized or covered by some form of depositor's 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:

1. Audited financial statements
2. Proof of National Association of Security Dealers certification
3. A statement that the dealer has read the municipality's investment policy and will comply with it
4. Proof of credit worthiness (minimum standards: at least five years in operation and a minimum capital of 10 million dollars)

4.3.H Reporting Requirements

On a regular basis (quarterly, semi-annually, or annually), a report containing the following information will be prepared by the Treasurer and distributed to the Finance Director, Town Administrator, and/or Finance Committee, as appropriate. The quarterly report will include the following information, as a minimum requirement:

1. A listing of the individual accounts and individual securities held at the end of the reporting period.
2. 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 Investment Policy.
3. A summary of the income earned on a monthly basis and year to date basis shall be reported.
4. The municipal treasurer shall include in the report a brief statement of general market and economic conditions and other factors that may affect the Town's cash position.
5. The report should demonstrate the degree of compliance with the tenets set forth in the Investment Policy.

4.3.I Restrictions

Chapter 44, Section 55 sets forth the 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 and surplus of such bank or trust company, or banking company,



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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 that he is associated as an officer or employee or has been the same for any time during the three years immediately preceding the date of any such deposit.
- 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.

4.3.J Legal References

Massachusetts General Law Chapter 40, Section 5; Massachusetts General Law Chapter 44, Section 54, Section 55A, Section 55B; Massachusetts General Law Chapter 44B, Section 7; Massachusetts General Law Chapter 740 of the Acts of 1985.

4.4 Investments: Trust Funds, Stabilization Funds and Community Preservation Act Funds

4.4.A Scope

This policy applies to all accounts that are designated as Trust Funds, Stabilization Funds, and Community Preservation Funds. 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.

4.4.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 Town Treasurer unless otherwise provided or directed by the donor.

4.4.C Objective

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

The M.G.L. Chapter 740 of the Acts of 1985 requires that invested funds are to be placed at the highest possible rate of interest reasonably available, taking account of safety, liquidity and yield. Therefore, these guidelines are intended to further the objective of securing the highest return that is consistent with safety of principal while meeting the daily cash requirements for the operation of the entity's business.

- ***Safety*** of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital through the mitigation



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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 carry out investment activities in a manner that provides for meeting unusual cash demands without 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.

4.4.D Investment Instruments

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

Additionally, the Town of Plainville 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 of any such trust fund shall be invested in bank stocks and insurance company stocks, nor shall more than one and one-half percent of such funds be invested in the stock of any one bank or insurance company. See the Commonwealth of Massachusetts' List of Legal Investments (<https://www.mass.gov/info-details/list-of-legal-investments>).

Trust Funds may be co-mingled and invested in any instruments allowed by the Commonwealth of Massachusetts' List of Legal Investments issued by the Banking Commissioner each July. Each trust fund must be accounted for separately. Chapter 44 Section 54 sets forth that 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.

The Treasurer may invest in the following instruments:

1. U. S. Treasuries that may be sold prior to maturity: Unlimited amounts, no limit to length of maturity from date of purchase
2. U.S. Agency obligations that may be sold prior to maturity: Unlimited amounts, no limit to length of maturity from date of purchase



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3. Bank accounts or Certificates of Deposit which are fully collateralized through a third party agreement: **Unlimited amounts, no limit to length of maturity from date of purchase**
4. Bank accounts and C.D.'s insured by F.D.I.C. up to \$250,000 limit for all bank accounts and C.D.'s in one institution which are considered in the aggregate to receive the insurance coverage. In some cases, Banking Institutions carry additional insurance, Depository Insurance Fund of Massachusetts (D.I.F.M): **\$250,000 limit** (under FDIC) **or up to total covered by additional DIFM insurance, no limit to length of maturity from date of purchase**
5. 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 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 10% of a municipality's cash**. Their credit worthiness will be tracked by Veribanc, Sheshunoff, or other bank credit worthiness reporting systems and money market mutual funds must be registered with the Securities and Exchange Commission. They will be diversified as much as possible. C.D.'s will be purchased for no more than three months and will be reviewed frequently.
6. Common and preferred stock or investment funds: **Cannot invest more than 1.5% of a fund in the stock of any single bank or insurance company that is listed in the List of Legal Investments; cannot invest more than 15% of total aggregated funds in banking or insurance company stocks.**

4.4.E 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 in accordance with written procedures and this investment policy, and exercising 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 policy.

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.

4.4.F 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.



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4.4.G Ethics

The 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. The Treasurer 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.

4.4.H Relationship with Financial Institutions

Financial institutions should be selected first and foremost with regard to safety. The Town of Plainville subscribes to Veribanc™ as a recognized bank rating service. Brokers should be recognized, reputable dealers.

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

1. Audited financial statements
2. Proof of National Association of Security Dealers certification
3. A statement that the dealer has read the municipality's investment policy and will comply with it
4. Proof of credit worthiness (minimum standards: at least five years in operation and a minimum capital of 10 million dollars)

4.4.I Reporting Requirements

On a regular basis (quarterly, semi-annually, or annually), a report containing the following information will be prepared by the Treasurer and distributed to the Town Administrator, and/or Finance Committee, as appropriate. The quarterly report will include the following information, as a minimum requirement:

1. A listing of the individual accounts and individual securities held at the end of the reporting period.
2. A listing of the long-term investment portfolio by security type and maturity to ensure compliance with the diversification and maturity guidelines established in the "Diversification" section of this Investment Policy.
3. A summary of the income earned on a monthly basis and year to date basis shall be reported.
4. The municipal treasurer shall include in the report a brief statement of general market and economic conditions and other factors that may affect the Town's cash position.
5. The report should demonstrate the degree of compliance with the tenets set forth in the Investment Policy.

4.4.J Legal References



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Massachusetts General Law Chapter 40, Section 5; Massachusetts General Law Chapter 44, Section 54, Section 55A, Section 55B; Massachusetts General Law Chapter 44B, Section 7; Massachusetts General Law Chapter 740 of the Acts of 1985.

4.5 Cash Reconciliation

4.5.A Objective

To establish policies and procedures for the effective and efficient handling of cash reconciliation.

4.5.B Policy

It is the policy of the Town that the Treasurer/Collector and the Accountant shall reconcile the bank statements as recorded in the Treasurer's Cashbook and recorded on the general ledger within 15 days of the close of the prior month. The Treasurer/Collector maintains a Reconciliation of Cashbook documenting the reconciliation for each period. Each official is responsible to sign the Summary Cash Reconciliation spreadsheet and then submit a copy of the Summary Cash Reconciliation spreadsheet to the Town Administrator as evidence that cash is reconciled.

4.5.C Procedures

- The Treasurer/Collector or designee reconciles the Treasurer's Cashbook to the bank statements. This is completed within five days of receipt of the bank statement.
- The Treasurer/Collector identifies all reconciling items between the cashbook and the bank statements. These items will include: deposits in transit, outstanding checks and other items that represent timing differences between the bank and the cashbook.
- The Treasurer/Collector will correct the cashbook for the reconciling items that are not the result of timing differences (that would clear the next month).
- The Treasurer/Collector will forward to the Accountant all the adjustments made to the cashbook based on the reconciliations to the bank statements.
- The Accountant will record an adjusting entry to cash on the General Ledger if appropriate and based on supporting documentation.
- The Treasurer/Collector will follow up on any check that remains outstanding for 60 days as described herein under the Tailings Policy and Procedures.
- The Treasurer/Collector will maintain a cashbook on a daily basis for warrants issued, deposits, transfers between accounts and investment income.
- After the month's activity in the cashbook is reconciled to the bank statements, the Treasurer/Collector or designee produces the financial system month-end trial balance for Treasurer's Cash and the financial system account detail history for Treasurer's Cash.
- The Treasurer/Collector produces a spreadsheet based on:
 1. Receipts reconciliation documenting:
 - The receipts per the cashbook and
 - Receipts per the general ledger
 2. Disbursements reconciliation documenting:



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- The disbursements per the cashbook and
- The disbursements per the general ledger
- These reconciliations are evidence that the cashbook ending balance agrees to the cash on the general ledger. If there are variances, the Treasurer/Collector and Accountant research and document any adjustments.
- A final Cash Reconciliation Summary Statement is produced and signed by both the Treasurer/Collector and the Accountant that states the cash balances per the general ledger and per the cashbook, and documents any adjustments to either the cashbook or the general ledger.
- The Cash Reconciliation Statement and cover letter is submitted to the Town Administrator by the 15th of every month as documentation that the cash is reconciled.

4.6 Petty Cash

4.6.A Objective

To establish policies and procedures for the effective and efficient handling of petty cash.

4.6.B Policy

The policy of the Town is that Petty Cash accounts may be established for departments that need a small amount of cash to meet payments required at the time of service. Petty cash can only be replenished by submittal of all documentation and receipts through the warrant process for review of the Accountant. Petty cash transactions will never be used to finance payroll.

4.6.C Procedures

- Request for petty cash accounts or changes to the limit authorization should be submitted in writing to the Accountant.
- All requests for establishment of petty cash accounts and changes to limits should be subject to approval of the Accountant and Treasurer/Collector
- If approved by the Accountant and Treasurer/Collector, the specific petty cash account should be under the custody of one authorized official of the respective department.
- The Accountant will create the petty cash account by reducing unrestricted cash and increasing petty cash. The Accountant will reclassify fund balance simultaneously by reducing Undesignated Fund Balance and increasing Fund Balance Reserved for Petty Cash.
- All petty cash transactions shall be documented with a receipt from the vendor/service provider to the authorized departmental petty cash cashier.
- Periodically the petty cash custodian in the department should submit all documentation and receipts on a Schedule of Departmental Bills Payable to the Accountant as part of the accounts payable warrant process in order to replenish the petty cash account.
- The petty cash account will only be replenished by the Accountant based on review of the documentation submitted through the warrant process. If there have been any inappropriate uses, the petty cash account will be terminated.



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- Monthly reconciliation of petty cash accounts shall be completed between the Treasurer and Accountant.

4.7 Tailings

4.7.A Objective

To establish policies and procedures for the effective and efficient handling of tailings (uncashed checks).

4.7.B Policy

The Town's policy is to identify and research all uncashed checks (tailings) as part of the timely reconciliation of all bank accounts. All checks that are not cashed within 60 days of the date of issuance will be investigated. Checks that are not cashed after 120 days will be reported to the Accountant as uncashed so the General Ledger can be adjusted to increase cash and to record a corresponding liability.

A listing of all uncashed checks shall be published in the newspaper and posted on the Town's website once a year consistent with Massachusetts General Law. Checks not claimed must be reported by the Treasurer/Collector to the Accountant so that revenue can be increased and the liability can be eliminated.

4.7.C Procedures

- All town bank accounts shall be reconciled each month; uncashed checks (tailings) will be identified and investigated as part of this process.
- The Treasurer/Collector shall identify all checks that have not cleared the bank account. If the check has not cleared for more than 60 days, the Treasurer/Collector (or designee) shall prepare a list of all uncashed checks.
- The Treasurer/Collector shall investigate the uncashed check by reviewing the check register run at the time of disbursement of the checks on the weekly accounts payable warrant. The uncashed payroll shall be checked by reviewing the payroll vendor's check disbursement report.
- The Treasurer/Collector shall identify and record on a spreadsheet a listing of uncashed checks, the date of issuance, amount of the check, and name and address of check recipient.
- The Treasurer/Collector's office shall send notice of the uncashed check and the amount to the recipient at their last known address and retain evidence of this mailing.
- If the check has not been cashed 120 days after the date of issuance, the Treasurer/Collector, consistent with Massachusetts General Law, shall submit a List of Uncashed Checks to the Accountant so that the cash can be adjusted and the liability of the tailings/abandoned property can be recorded on the General Ledger.
- The Treasurer/Collector shall publish the List of Uncashed Checks in a newspaper of general circulation consistent with state law.
- The Treasurer/Collector shall prepare a List of Abandoned Property/Uncashed Checks for all checks that are not claimed after the public advertisement and submit a signed copy to the



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Accountant. The Accountant will increase the revenue of the Town on the General Ledger and eliminate the liability.

4.8 Credit Cards

4.8.A Objective

To establish policies and procedures for the effective and efficient handling of Town credit cards by department heads or their designee. These procedures are intended to accomplish the following:

- To ensure that procurement with credit cards is accomplished under the policy and procedures established by the Select Board.
- To enhance productivity, significantly reduce paperwork, improve internal controls and reduce the overall cost associated with approved purchases as listed below.
- To ensure appropriate internal controls are established within each department procuring with credit cards so that they are used for authorized purposes only.
- To ensure that the Town bears no legal liability from inappropriate use of credit cards.

4.8.B Policy

The Town's policy is to verify all credit card charges are appropriate and meet all accounting standards prior to incurring the charge. All purchases must be pre-approved via the Credit Card Pre-Authorization Form including authorizing signatures by the department head, Town Accountant, and Town Administrator. Credit cards are to be used only for Town purchases and business-related travel expenses as authorized and must not be used for personal purchases of any kind, alcohol, cash advances, or for payment of invoices or statements that should get paid through the warrant process. Sales tax shall not be included in the cost of any purchase. The employee making the purchase is responsible for payment of sales tax if charged. It is expected that the best price for each purchase will be secured.

4.8.C Procedures

- Any employee requesting to use the credit card for larger Town purchases or business-related travel must fill out a Credit Card Pre-Authorization form in its entirety.
- The employee must provide any relevant back-up and present the form to the department head, Town Accountant, and Town Administrator for signature.
- Upon receiving all signatures, the employee may use the credit card for the purpose authorized.
- The original detailed and itemized purchase receipt and credit card must be returned to the card custodian along with the form immediately after completing the purchase or returning to the Town. If meals were purchased, a list of Town participants should also be included for reference.



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- The card custodian retains the form and original receipts to be attached to the credit card statement when received at the end of the month. All such documentation is submitted to the Accounting Office to be paid in the vendor warrant.



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5.0 FINANCIAL PLANNING

5.1 Debt Management

5.1.A Objective

To establish policies and procedures that provide for the appropriate issuance and responsible use of debt.

5.1.B Policy

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

- In financing with debt, the Town will:
 1. Issue long-term debt only for purposes that are authorized by state law and qualify for tax-exempt bonds and only when the financing sources have been clearly identified.
 2. Use available funds to the greatest extent possible to reduce the amount of borrowing on all debt-financed projects.
 3. Confine long-term borrowing to capital improvements and projects that cost at least \$100,000 and that have useful lifespans of at least 5 years or whose lifespans will be prolonged by at least 10 years.
 4. Refrain from using debt to fund any recurring purpose, such as current operating and maintenance expenditures.
 5. Consider using revenue bonds, special assessment bonds, or other types of self-supporting bonds instead of general obligation bonds whenever possible.
 6. For the water, sewer, and trash enterprise operations, set user fees to cover capital costs to the fullest extent practicable.
- The Town will adhere to these debt parameters:
 1. Total debt service, including debt exclusions, shall be limited to 10 percent of general fund revenues, with a target balance of five to seven percent. Total debt service is calculated as all debt payments other than those covered by special revenue or other self-supporting revenues.
 2. As a control for maintaining consistent capital investment, the Town will seek to replace maturing debt obligations with new issuances or appropriations to a special purpose stabilization fund so that year-to-year debt service expenditures and savings are maintained at a target level representing five to seven percent of general fund revenues.



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The Town will also seek to fund greater proportions of its debt issuances from within the annual tax levy (as opposed to seeking debt exclusions).

- The Town's guidelines on debt terms and structure shall be as follows:
 1. The term of any debt shall not exceed the expected useful life of the capital asset being financed and in no case shall it exceed the maximum allowed by law.
 2. The Town will limit bond maturities to no more than 10 years, except for major buildings, sewer and storm water facility projects, land acquisitions, and other purposes in accordance with the useful life borrowing limit guidelines published by the Division of Local Services (DLS).
 3. Any vote to authorize borrowing will include authorization to reduce the amount of the borrowing by the amount of the net premium and accrued interest.
 4. The Town will work closely with its financial advisor to follow federal regulations and set time frames for spending borrowed funds to avoid committing arbitrage, paying rebates, fines and penalties to the federal government, and jeopardizing any debt issuance's tax-exempt status.
- To achieve potential debt service savings on long-term, tax-exempt debt through bond refunding the Town will:
 1. Issue debt with optional call dates no later than 10 years from issue.
 2. Analyze potential refunding opportunities on outstanding debt as interest rates change.
 3. Use any net premium and accrued interest to reduce the amount of the refunding.
 4. Work with the Town's financial advisor to determine the optimal time and structure for bond refunding.
- 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.

5.1.C Procedures

- The Treasurer/Collector will report to the Select Board, Town Administrator, and Finance Director on the Town's debt status at least annually.
- The Finance Director will include an indebtedness summary as part of a report on receipts and expenditures in the Town's Annual Report.
- The Finance Director, with the Town's financial advisor, will file the annual audit and official disclosure statement within 270 days of the end of the fiscal year.



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5.2 Reserves: Free Cash

5.2.A Objective

To establish policies and procedures that generate guidelines for funding and maintaining reserves to help the community sustain operations during difficult economic periods. Reserves can be used to finance unforeseen or emergency needs, to hold money for specific future purposes, or in limited instances, to serve as a revenue source for the annual budget. Reserve balances and policies can also positively impact a community's credit rating and as a consequence, the long-term cost to fund major projects.

"Free cash" is the term used by the state for money left at the end of a fiscal year, which was either allocated and under or overspent, as well as revenues that come in higher or lower than projected during the budget process. It is often referred to as "Unallocated Funds" or "Undesignated Funds," which while more descriptive is not the official term used by the State. It should be noted that it is therefore possible for Free Cash to actually be a negative number. It should be the budgeting and operational goal of the town that our planning be conservative enough to always have a significantly positive amount of Free Cash at the end of the year available.

5.2.B Policy

The Town's policy is to build and maintain adequate levels of fund balance to mitigate current and future risks of inadequate cash flow, whether through revenue shortfalls or unanticipated expenditures. The Town will strive to maintain overall reserves (of all types) in the level of 8-15% of the annual operating budget, and specifically a free cash goal of 3-5% of the annual budget. To accomplish this end, the following practices are recommended:

- The Town Administrator and Town Accountant will propose budgets with conservative revenue projections.
- Department Heads will carefully manage their appropriations to produce excess income and budget turn backs.
- As much as practicable, the Town will limit its use of free cash to funding one-time expenditures and will appropriate any excess to reserves or to offset unfunded liabilities.

Flexibility in the use of Free Cash will be dependent upon the state of the General Stabilization Fund relative to its target value, as defined in the General Stabilization Fund policy. In any year that the General Stabilization Fund balance is below its target value, this policy directs that Free Cash be used in only the two following manners:

- 1. Fund an emergency, non-recurring, unforeseen expenditure**
- 2. Recharge the General Stabilization Fund towards its target value**

Once the General Stabilization Fund has reached its target, this policy suggests that Free Cash may also be used for items such as (and this is not an all-inclusive list, but prioritized opportunities):

- 3. Supplement the OPEB (Other Post-Employment Benefits) Fund**



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- 4. Fund additional small capital or other non-recurring expenses**
- 5. If one is established, increase funding to a General Capital Stabilization Fund**

It is the policy of the Select Board and the Finance Committee that Free Cash should NOT be used for recurring, normal operating budget items, or to supplement the Gaming Stabilization Fund or Water and Sewer Enterprise Funds except in extraordinary situations or for corrective measures. An example of an extraordinary situation might be (once we believe we have normal funding established) if a difficult winter resulted in the need to transfer money to the Snow and Ice fund. An example of corrective action might be that in the course of a year (especially a year when we budget as tightly as possible) we discover that veteran's benefits, or one of the insurance funds, or street lighting, is underfunded for that year due to an unforeseen change or expense. We might choose to correct that deficit during that year only using Free Cash, while at the same time budgeting appropriately for that change for future years and not relying on Free Cash in the future.

5.2.C General Considerations and Guidelines

The DLS recommends that a municipality strive to generate free cash in an amount equal to 3-5% of its annual budget. Free cash may be used for certain one-time expenditures, such as major capital projects, emergencies, other unanticipated expenditures, or to replenish other reserves.

5.3 Reserves: General Stabilization

5.3.A Objective

To establish policies and procedures that generate guidelines for funding and maintaining reserves to help the community sustain operations during difficult economic periods. Reserves can be used to finance unforeseen or emergency needs, to hold money for specific future purposes, or in limited instances, to serve as a revenue source for the annual budget. Reserve balances and policies can also positively impact a community's credit rating and as a consequence, the long-term cost to fund major projects.

5.3.B Policy

The Town's policy is to build and maintain adequate levels of fund balance to mitigate current and future risks of inadequate cash flow, whether through revenue shortfalls or unanticipated expenditures. The Town will strive to maintain overall reserves (of all types) in the level of 8-15% of the annual operating budget, and specifically a stabilization goal of 5-10% of the annual budget. To accomplish this end, the following practices are recommended:

- The Town will endeavor to maintain a minimum balance of 5% of the current operating budget in the 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.
- Whenever possible, withdrawals of funds should be limited to the amount available above the 5% minimum reserve target level. If any necessary withdrawal drives the balance below the



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minimum reserve target level, the Town Administrator and Town Accountant will develop a detailed plan to replenish the fund to the minimum level within the next two years.

5.3.C General Considerations and Guidelines

The DLS recommends that a municipality strive to maintain a stabilization fund balance in an amount equal to 5-10% of its annual budget.

5.4 Reserves: Special Purpose Stabilization

5.4.A Objective

To establish policies and procedures that generate guidelines for funding and maintaining reserves to help the community develop adequate financial planning for specific projects in the future. Reserve balances and policies can also positively impact a community's credit rating and as a consequence, the long-term cost to fund major projects.

5.4.B Policy

The Town's policy is to build and maintain adequate levels of fund balance in special purpose stabilization funds to finance major capital projects or other special projects without the need for debt exclusion, if possible. The Town will strive to maintain special purpose stabilization goals as follows:

- Capital (Gaming) Stabilization Fund – This fund currently covers the cost of certain debt related to the construction of the Town Hall and Public Safety buildings, and acquisition of open space land, totaling approximately \$2.1M each year (through 2038 for the bulk of this for the Town Hall and Public Safety buildings, about \$70K+interest through 2043 for some miscellaneous items in the Town Hall and Public Safety buildings, and \$50K+interest until 2046 for Hawkins Wood). Revenues are expected to be generated annually in the \$2.1M vicinity or more via the Host Community Agreement with the Plainridge Casino. However, since the revenue received under that agreement can be reduced by their assessed tax overage, the Town will appropriate additional funds annually to this account until the balance has increased to accommodate an additional year's payment (\$2.1M). This will provide a buffer for the Town in the unexpected chance that the Host Community payments do not cover the balance of the debt payment.
- Other Special Purpose Stabilization Funds – For all other current and future special purpose stabilization funds, the Town Administrator will work with the Town Accountant to determine a funding schedule and target level to reach the appropriate amount of funding for the project.

5.5 Other Post-Employment Benefits Liability

5.5.A Objective



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To establish policies and procedures that ensure fiscal sustainability and provide a guideline for a responsible plan to meet the Town's obligation to provide other postemployment benefits for eligible current and future retirees.

5.5.B Policy

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

To manage and invest the OPEB fund, the Treasurer/Collector has determined to move the current allotment of funds to the State Retiree Benefit Trust Fund (SRBTF), and the Town endeavors to appropriate at least \$50,000 per year into this irrevocable trust, funded by available reserves at Town Meeting. Once the Town has fully funded its additional liability to the Norfolk County Retirement (as backed by the State Pension Reserve), which is estimated to be complete in FY29, the Town intends to appropriate to the OPEB trust fund the amount equivalent to the former pension-funding payment or the annual required contribution ("ARC"), whichever is less.

5.5.C Procedures

- The Finance Director will obtain actuarial analyses of the Town's OPEB liability every two years and will annually report the Town's OPEB obligation in financial statements that comply with the current guidelines of the Governmental Accounting Standards Board (GASB).
- The Town Administrator and Finance Director will ensure the Town's independent auditor reviews compliance with this policy's accounting, reporting, and investment provisions as part of its annual audits and will report on these to the Select Board.
- On an ongoing basis, the Town will assess healthcare cost containment measures and evaluate strategies to mitigate its OPEB liability. The Finance Director will monitor proposed laws affecting OPEBs and Medicare and analyze their impacts. The Treasurer/Collector will regularly audit the group insurance and retiree rolls and terminate any participants found to be ineligible based on work hours, active Medicare status, or other factors.
- To address the OPEB liability, decision makers will annually analyze a variety of funding strategies and subsequently implement them as appropriate with the intention of fully funding the obligation. The Town will derive funding for the OPEB trust fund from any available reserves. To ensure that the Town's enterprise funds remain self-supporting, the water, sewer, and trash enterprise funds annually factor their proportional OPEB contributions into their indirect costs to the general fund.

5.5.D General Considerations and Guidelines



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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 other strategies to consider for funding the ARC, the Town can consider the following:

- Transfer unexpended funds from insurance line items to the OPEB trust fund.
- Appropriate amounts equal to the Town's Medicare Part D reimbursements.
- Determine and commit to appropriating an annual portion of free cash.
- Appropriate an annually increasing percentage of yearly revenues.

5.6 Budget Forecasting

5.6.A Objective

To establish policies and procedures that establish guidelines for budget decision makers when determining how to allocate resources and determine an expenditure strategy as part of the annual budget process and longer range fiscal planning.

5.6.B Policy

A critical step in maintaining a sound financial plan is the preparation of a multi-year revenue/expenditure forecast. Long term financial planning, including revenue and expenditure assumptions, is one of the local government financial practices that credit rating agencies evaluate when assessing municipalities for credit quality. The Massachusetts Division of Local Services (DLS) states that a financial forecast, or multi-year revenue and expenditure forecast, allows a municipality to evaluate the impact of various government decisions over time. A forecast will provide decision-makers with an indication of the long-term fiscal impact of current policies and budget decisions, and will allow the Town Administrator and staff, the Finance Committee, and the Select Board to test various "what-if" scenarios and examine the fiscal impact on future budgets.

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 (such as local aid or grants) will be reviewed annually to determine their short- and long-term stability in order to minimize detrimental impacts.
- The Town will endeavor to avoid using one-time revenues to fund ongoing or recurring operating expenditures. These one-time revenue sources can include, but are not limited to, free cash, overlay surplus, sale of municipal assets, legal settlements, insurance proceeds, and gifts. Additionally, the Town hereby establishes the following priority order when appropriating one-time revenues:
 1. Snow and ice deficit
 2. General stabilization fund
 3. Capital budget



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4. OPEB trust fund
5. 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 Select Board 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.
- 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:
 1. Sale of real estate: M.G.L. c. 44, § 63 and M.G.L. c. 44, § 63A
 2. 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:
 1. The Assessing Department will maintain property assessments for the purpose of taxation at full and fair cash value as prescribed by state law.
 2. Town departments that charge fees will annually review their fee schedules and propose adjustments when needed to ensure coverage of service costs.
 3. The Building Department will notify the Town Administrator of any moderate-to-large developments that could impact building permit volume.
 4. 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.
 5. Revenue estimates will be adjusted throughout the budget cycle as more information becomes available.
 6. To the extent feasible, the directors of the trash, water, and sewer enterprise funds will set user fees sufficient to cover all fiscal year operating and capital improvement costs and thereby minimize any general fund subsidy.

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).
 1. A maintenance budget projects the costs needed to maintain the current staffing level and mix of services into the future.
 2. 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.
 3. Under any chosen approach, expenditure projections will include potential cost-of-living adjustments to account for the impact of future contract settlements and compensation plan increases.

5.6.C Procedures

Each year the Town Administrator and Finance Director, in consultation with the Finance Committee, shall prepare and maintain a five-year Financial Forecast for General Fund and



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Enterprise Fund operations based on current service levels and current funding sources and including the five-year Capital Improvement Program. The forecast shall be used as a budget tool to enable Town officials to review operating needs, identify fiscal challenges and opportunities, and develop long-term budgeting policies as part of an overall strategic plan.

The forecast shall be designed to provide an outlook on the implications of changes in revenues and expenditures and allow for analyzing multiple scenarios. The forecast will:

- Provide insight into whether the current mix and level of resources in the General Fund are likely to continue to be sufficient to cover 3 current service levels and capital projects; and,
- Identify the resources needed to maintain required enterprise fund operations and estimate the impact on rate payers.

The Town Administrator, in cooperation with the Finance Committee and other Town departments, will review fiscal assumptions every year when the forecast is updated and will use information that is timely and accurate in preparation of the forecast. The forecast and the associated assumptions shall be made available to the Select Board and the Finance Committee no later than upon submission of the Capital Improvement Plan.

5.6.D General Considerations and Guidelines

The Town's forecast model should assume that:

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

6.0 MOTOR VEHICLE TAX

6.1 Commitments and Billings

6.1.A Objective



Financial Policies and Procedures

To establish motor vehicle excise commitment policy that is consistent with statutory requirements in order to assure collection of committed charges based on a sound system of internal controls.

6.1.B Policy

In order to optimize the Town's cash flow, the Treasurer/Collector shall mail within 15 days of receipt of Assessor's warrant for each commitment from the Registry of Motor Vehicles (RMV). The first motor vehicle excise (MVX), which is the largest commitment, shall be mailed within 21 days of receipt of the commitment.

Bills are due and payable in full within 30 days of issue. Demand notices will be mailed within 15 days of the due date of the excise bill. Interest is charged at 12 percent per annum and begins accruing from the due date until paid. A \$5.00 demand fee will be included along with interest on the unpaid balance of the bill. Payments not paid at demand are subject to:

- Warrant fee of \$10
- If not paid the RMV fees

The RMV maintains all records on motor vehicle values. Several times over the course of the year the RMV provides an electronic transfer to the Assessor, who documents the total value of the specific commitment and contains all of the information for billing to specific motor vehicle owners.

6.1.C Procedures

Commitment:

- The Town's deputy collector is responsible to acquire the billing/commitment files from the RMV on a timely basis. The RMV provides the make, model year, vehicle identification number, and registration number, as well as the owner, the address where the car is registered and the value. The file is converted by the deputy collector and emailed to the treasurer/collector.
- The treasurer/collector provides the file to the assessor's office, which is responsible for identifying any exempt vehicles and highlight which vehicles, should be deleted from the billing commitment (i.e. Town vehicles).
- The Assessors then completes the commitment information for the MVX billing. The Board of Assessors sends either a Letter of Commitment or Warrant to the Treasurer/Collector and a Notice of Commitment to the Accountant.
- The Treasurer/Collector sends the deputy collector a listing of adjustments/abatements so they can update their commitment file.

Billing:

- The Treasurer/Collector Creates a commitment in the financial system accounts receivable system for the MVX taxes to be billed and collected based on the file as edited by the Assessors



Financial Policies and Procedures

(which should reconcile to the Warrant/Commitment Letter). This file represents the commitment book and will have the number of bills and the total dollar amount.

- When the Treasurer/Collector has reviewed:
 - The totals on the financial system MVX commitment
 - The Letter of MVX Commitment/Warrant from the Board of Assessors
 - The sample MVX bills and Control Total Summary of bills provided by the PKS Associates
- And verifies that all are in agreement, and then the Treasurer/Collector will give the signed authorization to the Deputy Collector to mail the MVX bills.
- The Treasurer/Collector's approval is the required authorization from the Deputy Collector to release and mail the MVX bills.
- The Treasurer/Collector posts the Affidavit as to the Time of Sending Bills and posts it on the bulletin board outside of the Town Clerk's office in order to provide appropriate evidence of the mailing to interested residents.

6.2 Payment Processing

6.2.A Objective

To establish policies and procedures for the effective and efficient processing of MVX payments.

6.2.B Policy

To assure the correct application of MVX taxpayers' payments to their accounts on a timely basis.

6.2.C Procedures

Current Payments and Demand Payments

- Current MVX payments and demand payments are received
 - By mail to a lock box
 - In person at the Treasurer/Collector's office

Lock Box Payments

- Tax payments are sent by mail to the Town's lock box. Bank staff records the payments and each day the bank file is delivered via courier to the Treasurer/Collector's office.
- The lock box file is transferred to the financial system server.
- The file is accessed and the Lock Box File Report is printed, listing all payments, the total number of payments, the total dollar amount and totals by type (real, personal, excise or water/sewer).



Financial Policies and Procedures

- The Treasurer/Collector then accesses in financial system the Process Lockbox File option in order to apply the payments to the taxpayers' accounts in the financial system Accounts Receivable Module. The Lock Box Payment Processed Report is printed and it is reviewed to assure the "total number of items/payments" and "total dollar amount" reconcile to the control totals on the file/report from the Bank.
- In the Payment Entry option of financial system, the payment proofs for lockbox payments and verifies the "total number of items/payments" and "total dollar amount" totals the deposit file.
- A Payment Proof will be submitted along with the deposit file to the Accountant's office in order to post the lockbox payments to the general ledger.

Payments at Cashier Window and Mail-in

- The Assistant accepts payment from the taxpayer, provides that taxpayer with a stamped copy of the tax bill as a receipt, and retains a remittance copy of the bill and the cash or check in the cash drawer.
- At the end of the day the Assistant or clerk will close out the day's work. The clerk will tally and assure that the amount of cash/checks, and the total on the tax bills agree. The proof will be the cash sheet and adding machine tape. The payments are entered into the financial system as they are received, and printouts are given to the residents as proof of payment.
- The Treasurer/Collector is responsible for confirming the remittance copy of bills against the adding machine tape and making bank deposits.
- The following day a new payment batch is opened in financial system under the Payment Processing/Payment Entry option of Accounts Receivable module. It is important that the entry date and the interest effective date be the same date as the actual activity.
- The financial system Payments Proof Record of cash and must reconcile to the cash and checks reported on the prior days Cash Sheet and adding tape. This provides a control such that the financial system Payments Proof Summary exactly matches the adding tape and deposit slip of the prior day.
- The assistant will review the prior day's deposit slip for window collections and the financial system Payment Proof to verify that they agree. After this the transactions can be recorded in the Treasurer's Cashbook.
- The assistant will submit the financial system Payment Proof and the prior day's deposit slip to the Accounting Office. This serves as evidence of the application of all payments/receipts deposited at the bank to the accounts receivable system.
- Based on verification that the financial system Payment Proof and the bank deposit slip, the accountant then will post the transaction to the General Ledger assuming both source documents agree.

Collections

- The Treasurer/Collector clerk maintains an Excel MVX Collection Calendar that documents, by year, for each commitment:
 - Commitment Date



Financial Policies and Procedures

- Demand Date
- Warrant Date
- Final Warrant Date
- Flagging (bills marked) Date
- Demand bills are issued within two weeks of the due date of the original bill. A \$5.00 demand fee and 12 percent interest is added to the balance due, as allowed by Massachusetts General Law.
- If the excise bill remains unpaid, then the Deputy Collector is utilized to continue the collection process.
- Warrant notices are issued by the Deputy within 15 days of the demand bill due date with a warrant fee of \$10.00.
- As a final collection action the vehicle is 'marked.' The deputy notifies the RMV of any unpaid bills within 90 days of the excise bills issue date. Delinquent taxpayers are notified at this point that the RMV has marked their license as non-renewable and that there is reciprocity to other states.
- The Treasurer/Collector has contractually delegated to the Deputy Collector, the responsibility to mark a resident's driver's license and registration on the database at the RMV. This action prohibits the vehicle owner from registering the car or renewing their license without paying outstanding balances.
- The Treasurer/Collector, through the Deputy Collector, is also responsible for removing the marking from the RMV's database upon receipt of the MVX payment from the car owner/taxpayer. The Deputy Collector has electronic access to the RMV database.

6.3 Abatements and Exemptions

6.3.A Objective

To establish policies and procedures for the effective and efficient handling of abatement and exemptions.

6.3.B Policy

The Town's policy is that the Assessor's office has sole responsibility for granting MVX abatements when appropriate. It is policy to receive and process motor vehicle abatement applications in a timely manner in accordance with state law.

6.3.C Procedures

- Request for abatements can either be presented at the counter in the Assessor's office or may be billed in writing (State Tax Form 126-MVE) with the Assessor's office on or before December 31st of the year following the year for which the excise was assessed. If the excise bill was sent after December 31st of the succeeding year, the request for abatement must be made on or before the 30th day after the notice was sent. If the taxpayer has disposed of the vehicle, the taxpayer must present proof in the form of plate return receipt or the bill of sale.



Financial Policies and Procedures

- When a taxpayer has a dispute with the value assigned by the RMV to their vehicle, the Assessors will refer the taxpayer to contact the RMV, as both parties have the vehicle information which the Assessor does not have.
- The RMV will then send or fax a corrective letter to the Assessor's office if they find that an error in the valuation has been made by the RMV.
- After the Assessor receives notification from the RMV identifying the error, the Board of Assessors will then enter the abatement to the MVX billing database under the abatement option, as well as the date of abatement and the reason for the abatement.
- At this time the Assessor's office will also issue a revised bill to the motor vehicle owner for the correct excise amount due for the vehicle.
- The Assessors forward a listing of all abatements by levy year that have been granted by the Board of Assessors to the Treasurer and Accountant on a daily basis. The Accounting Office uses this report and the financial system detail as documentation to post the abatements to the General Ledger.

6.4 Refunds

6.4.A Objective

To establish policies and procedures for the effective and efficient handling of Motor Vehicle Refunds.

6.4.B Policy

On a weekly basis, the Treasurer/Collector should produce a financial system MVX Credit Balance Report to allow the Treasurer/Collector's staff to process refunds.

6.4.C Procedures

- The Treasurer/Collector will prepare the Authorization for Payment listing the motor vehicle owner and the amount to be refunded. Each refund listed on the Schedule of Bills Payable should be coded with the appropriate accounts receivable code by fiscal year. This document must be signed by the Treasurer/Collector and is submitted to the Accounting Office for payment on the warrant.
- When the warrant is approved and the checks are printed, clerk in the Treasurer/Collector's office does a final review and the check is mailed.

6.5 Delinquencies

6.5.A Objective

To establish policies and procedures for the effective and efficient handling of Motor Vehicle Delinquencies.

6.5.B Policy



Financial Policies and Procedures

The Town intends to timely pursue all legal methods to collect taxes from delinquent motor vehicle owners with the aim of achieving a target 97% collection rate by fiscal year-end.

6.5.C Procedures

- All delinquent motor vehicle excise taxes will be issued a demand fee and interest will accrue on the bill at an annual rate of 12% from the day after the due date.
- If the demand is not answered within 14 days, the Treasurer/Collector will issue a warrant to the deputy tax collector, along with another demand fee. The deputy tax collector will issue a warrant notice along with a deputy collector fee.
- If this is not answered, a final warrant will be delivered by the deputy tax collector with all interest and penalties clearly stated on the bill. The final notice will state the Town's plan to request the RMV to prohibit renewal of registration until the bill is settled.
- If this final warrant isn't answered, the deputy collector will send a request to the RMV to prohibit renewal of registration until the bill is settled.

6.6 Reconciliation

6.6.A Objective

To establish policies and procedures for the effective and efficient handling of Motor Vehicle Reconciliation.

6.6.B Policy

The Town has an interest in ensuring all assets from committed bills are accounted for and balanced. To accomplish this, the Treasurer/Collector, Town Accountant, and deputy tax collector will make certain that all cash receipts are recorded timely, maintain control records for each receivable type and levy year, and verify the detail balance agrees with the receivable control on a monthly basis, no later than 15 days of the close of the prior month. The Treasurer/Collector and Town Accountant are both responsible to sign the Summary Accounts Receivable spreadsheet and then submit a copy of the signed summary to the Town Administrator as evidence that receivables are reconciled.

6.6.C Procedures

- The Town Accountant or a designee will run a detailed receivables report at the end of every month, along with a general ledger summary report.
- The Town Accountant will compare all receivable totals between the Treasurer/Collector and General Ledger.
- Whenever the records do not agree, the Town Accountant 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



Financial Policies and Procedures

accepted by the Treasurer/Collector, and determining whether any revenues were incorrectly recorded as payments to the commitment, such as interest or fees.

- A final Receivables Reconciliation Summary Statement is produced and signed by both the Treasurer/Collector and the Accountant that states the receivable balances per the general ledger and per the Treasurer/Collector's billing ledger, and documents any adjustments to either the bills or the General Ledger.
- The Receivables Reconciliation Summary Statement is submitted to the Town Administrator by the 15th of every month as documentation that the receivables are reconciled.

7.0 REAL ESTATE AND PERSONAL PROPERTY TAX

7.1 Commitments and Billings

7.1.A Objective

To establish real and personal tax commitment policy that is consistent with statutory requirements in order to assure collection of committed charges based on a sound system of internal controls.

7.1.B Policy

The Town's policy is to issue bills for real estate and personal property on a quarterly basis in order to optimize cash flow. Interest is charged at a rate of 14 percent per annum for any unpaid balances after the respective due dates. Demand notices will be mailed by May 31st on any balances unpaid after May 1st. A demand fee of \$5.00, as well as 14 percent interest, will be included on the demand bills in accordance with state statute.

7.1.C Procedures

- The Assessor's maintain an automated file of all property valuations (Property Database). Before a tax commitment can be run, an LA4 Report is run on the Property Database. An LA4 provides the following information: type (class), parcel counts, assessed value and total.
- The Assessor's office identifies and completes the steps, using financial system checklist for preliminary or actual billing. The same LA4 report is run in financial system. An audit of the two reports is completed to check for errors. Any discrepancies are identified and corrected so that the financial system file valuations reconcile to the LA4 produced by the Property Database.
- When the two LA4 reports agree, the preliminary or actual bill process in financial system can continue.
- The Assessors then completes the Assessors Warrant to the Treasurer/Collector – State Tax Form 58 that documents the amount of the total billing to be committed for collection. One copy of the Warrant shall be forwarded to the Treasurer/Collector. The Assessors prepare one warrant (State Tax Form 58) for the real estate commitment and a separate warrant (State



Financial Policies and Procedures

Tax form 57) for personal property commitment. A Notice of Commitment is prepared for the Accountant.

- The Assessor will also submit one copy of the financial system Accounts Receivable with the final assessed values to the Department of Revenue (DOR) as verification that the assessed valuations, which were used as the basis for the billing, agree with those reported on the Tax Recapitulation Sheet and that the Town had submitted to the DOR for certification of the tax rate.

Billings

- The Treasurer/Collector will transmit both Real Estate and Personal Property figures along with the financial system Accounts Receivable file to the Deputy Collector.
- When the Treasurer/Collector has reviewed:
 - The totals on financial system Accounts Receivable provided by the Assessor's office.
 - The Real Estate Warrant and Personal Property Warrant – State Tax Form 57 and 58
 - The sample tax bills, and Control Totals Summary Total of bills provided by the Property Database
 - And verifies that all agree, the Treasurer/Collector will then give signed authorization to the Deputy Collector to mail the tax bills.
- The Treasurer/Collector's approval is the required authorization for the vendor to release and mail the tax bills
- The Treasurer/Collector sends notice of tax billing and commitment to the Department of Revenue – Bureau of Accounts and also posts the Affidavit of Mailing. Upon receipt, the Treasurer/Collector completes State Form 214, Affidavit as to Time of Sending Bills form and posts it on the bulletin board outside the Town Clerk's office in order to provide appropriate evidence of mailings to interested taxpayers.

7.2 Payment Processing

7.2.A Objective

To establish policies and procedures for the effective and efficient processing of real estate and personal Property Tax payments.

7.2.B Policy

To assure the correct application of real estate and property taxpayers' payments to their accounts on a timely basis. Receipts that are subject to interest, demands and other costs shall be applied based on the following order: interest, demand or other fees, utility liens, betterment assessments, tax title liens, real estate or personal property tax due.

7.2.C Procedures



Financial Policies and Procedures

Current Payments and Demand Payments

- Current MVX payments and demand payments are received
 - By mail to a lock box
 - In person at (or mail to) the Treasurer/Collector's office

Lock Box Payments

- Tax payments are sent by mail to the Town's lock box. Bank staff records the payments and each day the bank file is delivered via courier to the Treasurer/Collector's office.
- The lock box file is transferred to the financial system server.
- The file is accessed and the Lock Box File Report is printed, listing all payments, the total number of payments, the total dollar amount and totals by type (real, personal, excise or water/sewer).
- The Treasurer/Collector then accesses in financial system the Process Lockbox File option in order to apply the payments to the taxpayers' accounts in the financial system Accounts Receivable Module. The Lock Box Payment Processed Report is printed and it is reviewed to assure the "total number of items/payments" and "total dollar amount" reconcile to the control totals on the file/report from the Bank.
- In the Payment Entry option of financial system, the payment proofs for lockbox payments and verifies the "total number of items/payments" and "total dollar amount" totals the deposit file.
- A Payment Proof will be submitted along with the deposit file to the Accountant's office in order to post the lockbox payments to the general ledger

Tax Servicing Companies' Payments

- The various tax servicing companies provide files/transmissions of the tax payments for all of the tax accounts that are responsible for paying. The Treasurer/Collector's office prints an output of the specific tax service company's file listing all payments, the total number of payments and total dollar amount.
- The Assistant that accesses in financial system the Process Lockbox File option in order to apply the payments to the taxpayer's account in the financial system Accounts Receivable Module. The Treasurer/Collector prints the Lockbox Payments Processed Report and reviews the "total number of items/payments" and "total dollar amount" to assure they reconcile to the control totals on the file/report from the respective tax service company.
- The Assistant then produces the Payments Proof for the tax service company's payment in the Payment Entry option of financial system and verifies the "total number of items/payments" and "total dollar amount" control totals to the original file transmitted by the tax service company and then prepares the deposit slip.
- The Assistant will then submit the Payment Proof, the deposit slip, and the tax service company's control totals to the Accounting Office as documentation to allow posting to the General Ledger.

Payments at Cashier Window and Mail-in



Financial Policies and Procedures

- The Assistant accepts payment from the taxpayer, provides that taxpayer with a stamped copy of the tax bill as a receipt, and retains a remittance copy of the bill and the cash or check in the cash drawer.
- At the end of the day the Assistant or clerk will close out the day's work. The clerk will leave \$200 in the cash drawer. The clerk will tally and assure that the amount of cash/checks, and the total on the tax bills agree. The proof will be the cash sheet and adding machine tape. On the day of receipt, the payments are not entered into the financial system. They are entered the following day.
- The Treasurer/Collector is responsible for confirming the remittance copy of bills against the adding machine tape and making bank deposits.
- The following day a new payment batch is opened in financial system under the Payment Processing/Payment Entry option of Accounts Receivable module. It is important that the entry date and the interest effective date be the same date as the actual activity.
- The Assistant will enter all payments of the prior day in financial system and will access the account by the account number. The assistant will apply the payment to the person's account and make any allocation, if necessary, to interest due.
- It is important that the assistant enter only the payments/receipts at the counter of the prior day into one segregated batch. The financial system Payments Proof Record of cash and must reconcile to the cash and checks reported on the prior days Cash Sheet and adding tape. This provides a control such that the financial system Payments Proof Summary exactly matches the adding tape and deposit slip of the prior day.
- The assistant will review the prior day's deposit slip for window collections and the financial system Payment Proof to verify that they agree. After this the transactions can be recorded in the Treasurer's Cashbook.
- The assistant will submit the financial system Payment Proof and the prior day's deposit slip to the Accounting Office. This serves as evidence of the application of all payments/receipts deposited at the bank to the accounts receivable system.
- Based on verification that the financial system Payment Proof and the bank deposit slip, the accountant then will post the transaction to the General Ledger assuming both source documents agree.

7.3 Abatements and Exemptions

7.3.A Objective

To establish policies and procedures for the effective and efficient handling of abatement and exemptions.

7.3.B Policy

The Town's policy is to assure the correct application of taxpayers' abatements and exemptions to their accounts on a timely basis.



Financial Policies and Procedures

Exemptions are granted for one year only. The qualifying date is July 1st for veterans, blind, surviving spouses, elderly and other along with tax deferrals that meet the statutory requirements.

The Assessor's office grants abatements for real estate and personal property if appropriate. Once approved by the Board of Assessors, or as a result of an appeal by the Appellate Tax Board by a taxpayer. The Assessor's office staff enters all abatements and exemptions into financial system. As a result of the process, a Notice of Certificate of Abatement Document is created, signed by the Board of Assessors, and mailed to the taxpayer and provided to the Treasurer/Collector as evidence of the reduction in accounts receivable.

7.3.C Procedures

- The Assessors forward documentation of each abatement or exemption that has been granted by the Board of Assessors to the Treasurer/Collector and to the Accountant. This is accomplished by printing and submitting the financial system Post Open Abatements Report. The Assessors will forward it with a transmittal signed by the majority of the Board of Assessors (as the abating authority). This activity has been updated in the financial system detailed receivable ledger.
- The financial system Post Open Abatements Report is the source document for the Town Accountant to Post Summary Journal, which will post all the period's tax related abatements and exemptions to the General Ledger.
- The Treasurer/Collector should review the abated accounts to determine any credit balances in real and personal property tax accounts caused by the granting of the abatement/exemption.
- The Treasurer/Collector must issue a refund to any taxpayer whose account has a credit balance due to an abatement/exemption within 30 days.

7.4 Refunds

7.4.A Objective

To establish policies and procedures for the effective and efficient handling of real estate and personal property refunds.

7.4.B Policy

The Treasurer/Collector is responsible for taxpayer refunds. Refunds for real estate and personal property are processed after May 1 (last tax due date) of any given year to assure all taxes due are for the fiscal year have been paid. All precaution must be taken to assure the correct party receives the refund. Refunds must be processed within 30 days (of the posting of the abatements/exemptions) for credit balances caused by the abatement/exemption.

7.4.C Procedures

Refunds on Overpayments



Financial Policies and Procedures

- When a taxpayer contacts the Treasurer/Collector's office to indicate that their account has a credit balance and that they are due a refund, the staff will advise the taxpayer
 - To submit a letter requesting the refund
 - To provide proof of payment (copy of front and back side of cancelled check)
- Once the credit balance is verified in the accounts receivable system and this evidence of proof of payment is reviewed and verified, the Treasurer/Collector's staff will check other committed accounts (i.e. MVX and water sewer) to verify that the taxpayer is current in other payments to the Town.
- If the taxpayer is not current in the payment of other balances due to the Town, then the clerk applies (transfers) the credit balance from the overpaid account to the account with the outstanding balance. This is called a transfer payment. If the credit balance is greater than the amount that was applied to the outstanding balance, then the remaining credit balance shall be refunded.
- If the taxpayer is current on all other accounts, then the clerk will prepare the Authorization for Payment listing the taxpayer and the amount to be refunded. Each refund listed on the Schedule of Bills Payable should be coded with the appropriate accounts receivable code by fiscal year. This document must be signed by the Treasurer/Collector and is submitted to the Accounting Office for payment on the warrant.
- When the warrant is approved and the checks are printed, clerk in the Treasurer/Collector's office does a final review to examine for errors. After final review a copy of the check is made and retained in the refund file created for that taxpayer with a copy of the authorizing documentation and the check is mailed.

Refunds on Abatements

- The same procedures as on above described refunds are followed. However, the taxpayer does not have to submit a copy of the canceled check, since the abatement has caused the overpayment and the abatement itself is the documentation to allow a refund.

7.5 Special Situations

7.5.A Objective

To establish policies and procedures for the effective and efficient handling of real estate and personal property.

7.5.B Policy

To assure the accurate calculation and subsequent handling of special situations that may occur in maintaining real estate and personal property tax.

7.5.C Procedures

Financial System (Credit Balance) Reports



Financial Policies and Procedures

- On a monthly basis, the Treasurer/Collector (or designee) shall print and review the financial system Credit Balance Reports for real and personal property to monitor the number of accounts with credit balances and the dollar amount of credit balances.
- For prior tax years, the Treasurer/Collector shall ensure that all credit balances are investigated and that the account is corrected if there has been an error, that the credit is posted to an outstanding balance in another account (i.e. personal property or water/sewer), or to assure that a refund is issued to the taxpayer. For the current tax year, credit balances are acceptable until the fourth quarter tax due date.
- In May and June, the Treasurer/Collector and staff shall research all current year credit balances and issue refund checks when appropriate. This should be done to prevent a liability on the Town's books, to assure that the taxpayer receives funds that are due to them on a timely basis, and to eliminate the cost of paying interest to taxpayers.
- The Treasurer/Collector shall submit a Report of Credit Balances by Year to the Accountant on a monthly basis so that the liability can be recorded on the Town's General Ledger and Balance Sheet.

Omitted/Revised Assessments

- The Assessors' office shall correct omitted or revised assessments either by June 20 or 90 days after the mailing of the tax bill, whichever is later. If the omission or revision is not corrected by June 20th, it cannot be corrected.
- The Assessors record the amount of the omitted assessments on State Tax Form 62 – A warrant issued by the Assessors to the Treasurer/Collector to collect taxes for the omitted assessment. Revised assessments are recorded on State Tax Form 63. One copy of the warrant is issued to the Treasurer/Collector and at the same time they provide one copy of the State Tax Form 63 to the Accountant for posting to the General Ledger and to provide an audit trail for the month-end reconciliation of the tax receivable

Apportionment (of unpaid taxes)

- An apportionment divides unpaid taxes between the assessed owner and the owner who is acquiring the property after the January 1 assessment date.
- Reassessments correct the already committed tax bill. Reassessments are issued because of various errors. There must be a balance of taxes due to issue a reassessment.
- A warrant is issued when a previously exempt property is sold. The Pro forma takes the property out of its exempt status. In this case, a letter is issued to the Treasurer/Collector identifying the property as an omitted assessment and a warrant is issued using State Tax Form 62 to assure that the full tax is collected. The warrant (State Tax Form 62) is also submitted to the Accountant for posting to the General Ledger

Special Situations/Commitment/Receivable Update

- The Treasurer/Collector must record the amount of taxes to be collected as a result of the omitted assessment or the revised assessment in the financial system Accounts Receivable system.



Financial Policies and Procedures

- This procedure to adjust the commitment for the quarter is important and should be done by the Treasurer/Collector within a day or two of receipt of the warrant from the Assessors (i.e. State Tax Forms, 44, 62 or 63).
- The Treasurer/Collector will access the Commitment Maintenance in the financial system AR system, access the correct taxpayer account, and add the new taxes to be committed (for an omitted assessment) or adjust the taxes to be collected (for revised assessments).
- The Treasurer/Collector should verify that all accounts that have been adjusted in financial system reconcile to the source documents (revised and omitted assessment warrants from the Assessors).
- The Treasurer/Collector shall verify that the edit reports reconcile to the Assessors warrants.
- The documentation should be forwarded to the Accountant who is responsible to post the batch of commitment revisions to the General Ledger. The Accountant also has the original warrants as submitted by the Assessors.

7.6 Delinquencies

7.6.A Objective

To establish policies and procedures for the effective and efficient handling of real estate and personal property delinquencies.

7.6.B Policy

It is in the Town's best interests to its taxpayers to ensure that property taxes are 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 intends to timely pursue all legal methods to collect taxes from delinquent property owners with the aim of achieving a target 97% collection rate by fiscal year-end.

7.6.C Procedures

- Final taxes are due to be paid as of May 1st each year (i.e. the due date for the fourth quarter tax bill). No later than June 1st, the Treasurer/Collector will issue demand notices to all assessed property owners who have failed to pay in full, have not been granted full exemptions, and do not have automatic stays on record due to bankruptcy filing.
- The Treasurer/Collector will begin the tax taking process within sixty (60) days of the demand notice (see Section on Tax Title).

7.7 Reconciliation

7.7.A Objective

To establish policies and procedures for the effective and efficient handling of real estate and personal property reconciliation.



Financial Policies and Procedures

7.7.B Policy

The Town has an interest in ensuring all assets from committed bills are accounted for and balanced. To accomplish this, the Treasurer/Collector, Town Accountant, and deputy tax collector will make certain that all cash receipts are recorded timely, maintain control records for each receivable type and levy year, and verify the detail balance agrees with the receivable control on a monthly basis, no later than 15 days after the close of the prior month. The Treasurer/Collector and Town Accountant are both responsible to sign the Summary Accounts Receivable spreadsheet and then submit a copy of the signed summary to the Town Administrator as evidence that receivables are reconciled.

7.7.C Procedures

- The Town Accountant or a designee will run a detailed receivables report at the end of every month, along with a general ledger summary report.
- The Town Accountant will compare all receivable totals between the Treasurer/Collector and General Ledger.
- Whenever the records do not agree, the Town Accountant 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, and determining whether any revenues were incorrectly recorded as payments to the commitment, such as interest or fees.
- A final Receivables Reconciliation Summary Statement is produced and signed by both the Treasurer/Collector and the Accountant that states the receivable balances per the general ledger and per the Treasurer/Collector's billing ledger, and documents any adjustments to either the bills or the General Ledger.
- The Receivables Reconciliation Summary Statement is submitted to the Town Administrator by the 15th of every month as documentation that the receivables are reconciled.

7.8 Tax Taking

7.8.A Objective

To establish policies and procedures for the effective and efficient handling of real estate and personal property transfers to tax title.

7.8.B Policy

It is in the Town's best interests to its taxpayers to ensure that property taxes are 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 intends to timely pursue all legal methods to collect taxes from delinquent property owners with the aim of achieving a target



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97% collection rate by fiscal year-end. The Town will also periodically pursue tax taking and foreclosure actions with the primary objective of receiving all monies due. Any costs for collection accrue against the taxpayer and may add to the property lien.

Delinquent taxes represent a lien on property and remain in effect until all taxes, interest, and fees have been paid in full. The Treasurer/Collector will provide a listing of all individuals who are delinquent in paying taxes or other charges to the Town departments, board, and committee that issue licenses and permits in accordance with the Town bylaw. These authorities will review the list to deny, suspend, or revoke delinquent taxpayers' licenses and permits.

7.8.C Procedures

- 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 with 3.5 years from the end of the fiscal year for which the taxes were assessed to 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. From this point onward, only cash, certified check, or cashier's check are acceptable forms of payment.
- Within 60 days of the tax taking announcements, the Treasurer/Collector shall prepare an Instrument of Taking for each delinquent property at the Registry of Deeds, the recording of which perfects the tax lien. After receiving the recorded instruments back from the Registry, the Treasurer/Collector will notify the affected property owners of the liens by sending each of them a letter and a photocopy of the Instrument. The Treasurer/Collector will provide copies of the List of Recorded Takings to the Finance Director and Select Board.
- All delinquent taxpayers are subject to charges, which are added to their accounts by the Treasurer/Collector. These charges include interest accrued to the date of taking, advertising fees, certified mailing costs, legal fees, and Instrument of Taking recording fees.

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 nonpayments 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 Finance Director and Select Board and retain one on file.

7.9 Tax Title Payments

7.9.A Objective



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To establish policies and procedures for the effective and efficient handling of real estate and personal property transfers to tax title.

7.9.B Policy

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

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

7.10 Tax Foreclosure

7.10.A Objective

To establish policies and procedures for the effective and efficient handling of real estate and personal property tax foreclosures.

7.10.B Policy

The primary goal of the Town's foreclosure process is to receive the outstanding amounts owed, including all costs for collection and fees that have accrued on the lien.

7.10.C Procedures

- At least once per year, the Treasurer/Collector will review all tax title properties that are older than 180 days and do not have payment agreements or bankruptcy recordings. From these, the Treasurer/Collector will identify all properties of significant value to process them for potential foreclosure in Land Court. To do this, the Treasurer/Collector will thoroughly verify the properties' enforcement histories before referring them to the tax title attorney, beginning with those having the largest dollar value of taxes owed.
- As manager of the service contract, the Treasurer/Collector will ensure the tax title attorney complies with the objectives laid out in this policy section. The Treasurer/Collector will work with the tax title attorney to prepare parcels in tax title status for foreclosure, beginning by providing each Instrument of Taking.
- The tax title attorney will research the tax title properties and also mail new collection enforcement letters to the taxpayers telling them of the importance of redeeming the property and warning of potential foreclosure action.



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- If a taxpayer or other party pay the outstanding amount on a tax title property, the Treasurer/Collector will prepare an Instrument of Redemption and file it at the Registry of Deeds, which removes the lien. Redemption can only be done prior to the property being foreclosed.
- If the obligation remains unpaid, the tax title attorney will proceed with foreclosure action in Land Court, possibly resulting in auctioning of the property.
- In addition to Land Court foreclosure referrals, the Treasurer/Collector is responsible for completing foreclosures on any properties below the “Land of Low Value” threshold, which is annually updated each spring by the Division of Local Services.

8.0 PURCHASING PROCESS

8.1 Supplies and Services

8.1.A Objective

To establish policies and procedures for the purpose of purchasing supplies and services as described in Mass. General Laws Chapter 30B.

To provide guidance to department heads as to the proper use and effective management of public purchasing supplies and services and to establish a process for the screening of conflicts of interest.

8.1.B Policy

The Town shall follow the guidance contained in the Inspector General’s “The Chapter 30B Manual: Procuring Supplies, Services and Real Property” in order to comply with the requirements of M.G.L. Ch. 30B. To supplement this guidance, the Chief Procurement Officer will maintain a concise manual on purchasing procedures for department heads or others involved in Town purchasing procurement.

- For purchases under \$10,000 “sound business practices” should be used.
- For purchases between \$10,000 and \$49,999, three oral or written quotes must be obtained and a signed Procurement Form must be completed to outline all details of the quotes. The Procurement Form must be submitted to the Finance Office as soon as possible, but at the latest when an invoice is submitted for payment.
- Purchases over \$50,000 must be competitively bid through the sealed bidding process. The Chief Procurement Officer has responsibility for monitoring these bids for compliance with Chapter 30B.
- Exempt purchases need Procurement Forms to show acknowledgment of exemption. For exempt purchases, only one form has to be completed and kept on file for that fiscal year.
- Refer to the Chief Procurement Officer’s Purchasing manual for detailed procedures.



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- In the event of an emergency, the department head can purchase directly any supplies or services essential to the health and safety of persons and property. The Chief Procurement Officer must be notified as soon as possible in order to obtain any necessary waivers.
- In the event a vendor has been chosen by the Town through the procurement process to provide a specific supply or services for a specific time period, that vendor must be used for all specified purposes whenever reasonably possible.
- **Invoices cannot be paid unless procurement procedures have been followed.**

8.1.C Procedures

Procedure Between \$10,000 and \$49,999

- DETERMINE WHAT YOU NEED TO BUY. If you can reasonably expect your purchases for a particular service or good to be over \$10,000 during the course of the fiscal year, you should follow the relevant procurement procedures. For example, if you know you need 20 desks at \$600 each, you cannot buy them separately to avoid obtaining 3 quotes. Be sure you can justify, with a good business reason, the practice of small, frequent purchases from one vendor.
- WRITE A PURCHASE DESCRIPTION. This assures there is no discrepancy in what is told to each vendor from whom bids are solicited. Include:
 - Detailed description of item or service
 - Quantities required
 - Schedule of performance
 - Delivery terms
 - Payment terms
 - Insurance or other special requirements
- ESTIMATE THE COST OF YOUR NEEDS. This step only begins the process. The contract price, not your estimate, determines the procedures to follow. If you go through the phone quote procedure and the lowest bid is \$50,000, then you must do a formal bid. If, after investigation, the cost of the good or service is over \$10,000, you must obtain 3 phone quotes.
- SOLICIT PHONE QUOTES OR WRITTEN QUOTES.
- DOCUMENT THE INFORMATION ON THE PROCUREMENT FORM.
- SUBMIT THE PROCUREMENT FORM FOR APPROVAL AND AWARD. The Chief Procurement Officer (CPO) must approve the form and award the contract. The contract is awarded to the lowest bidder who is responsive (offering the quality of supply or service needed) and responsible (demonstrates the ability, capacity and integrity to perform the contract.) DO NOT ORDER the goods or services until this step has been completed.

Procedure over \$50,000

- DETERMINE WHAT YOU NEED TO BUY. If you can reasonably expect your purchases for a particular service or good to be over \$50,000 during the course of the fiscal year, you should follow the relevant procurement procedures. For example, if you know you need 35 computers at \$1500 each, you cannot buy them separately to avoid the formal bid process. Be



Financial Policies and Procedures

sure you can justify, with a good business reason, the practice of small, frequent purchases from one vendor.

- WRITE AN INVITATION FOR BID. This assures there is no discrepancy in what is told to each vendor from whom bids are solicited. Include:
 - Detail description of item or service
 - Quantities required
 - Schedule of performance
 - Delivery terms
 - Payment terms
 - Insurance or other special requirements
- ESTIMATE THE COST OF YOUR NEEDS. This step only begins the process. The *contract price*, not your estimate, determines the procedures to follow. If you go through the phone quote procedure and the lowest bid is \$50,000, then you must do a formal bid.
- Advertise on the COMMBUYS system at least 2 weeks prior to bid opening as well as in the local newspaper.
- DOCUMENT THE ALL COMPANIES THAT HAVE PICKED UP THE BID DOCUMENTS ON THE PROCUREMENT FORM.
- HOLD THE BID OPENING AND AWARD THE CONTRACT. The Chief Procurement Officer (CPO) must approve the form and award the contract. The contract is awarded to the lowest bidder who is responsive (offering the quality of supply or service needed) and responsible (demonstrates the ability, capacity and integrity to perform the contract.) DO NOT ORDER the goods or services until this step has been completed.
- PREPARE A CONTRACT WITH TERMS AND CONDITIONS. The CPO must prepare 3 copies of a written contract signed by the vendor. Include all information from the purchase description (#2 above.) One copy is kept with the awarding department, one with the CPO and the last with the Town Accountant.

8.2 Building and Public Works Construction

8.2.A Objective

To establish policies and procedures for the purpose of purchasing construction-related supplies and services as described in Mass. General Laws Chapter 149 and Chapter 30 Section 39M for building projects and public works projects.

To provide guidance to department heads as to the proper use and effective management of public purchasing supplies and services and to establish a process for the screening of conflicts of interest.

8.2.B Policy

The Town shall follow the guidance contained in the Inspector General's "The Chapter 30B Manual: Procuring Supplies, Services and Real Property" in order to comply with the requirements



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of M.G.L. Ch. 30B. To supplement this guidance, the Chief Procurement Officer will maintain a concise manual on purchasing procedures for department heads or others involved in Town purchasing procurement.

- For purchases under \$10,000 “sound business practices” should be used.
- For purchases between \$10,000 and \$49,999, three oral or written quotes must be obtained and a signed Procurement Form must be completed to outline all details of the quotes. The Procurement Form must be submitted to the Finance Office as soon as possible, but at the latest when an invoice is submitted for payment.
- Purchases over \$50,000 must be competitively bid through the sealed bidding process. The Chief Procurement Officer has responsibility for monitoring these bids for compliance with Chapter 30 Section 39M.
- Exempt purchases need procurement forms to show acknowledgment of exemption. For exempt purchases, only one form has to be completed and kept on file for that fiscal year.
- Refer to the Chief Procurement Officer’s Purchasing manual for detailed procedures.
- In the event of an emergency, the department head can purchase directly any supplies or services essential to the health and safety of persons and property. The Chief Procurement Officer must be notified as soon as possible in order to obtain any necessary waivers.
- **Invoices cannot be paid unless procurement procedures have been followed.**

8.2.C Procedure

Procedure Between \$10,000 and \$49,999

- DETERMINE WHAT YOU NEED TO BUY. If you can reasonably expect your purchases for a particular service or good to be over \$10,000 during the course of the fiscal year, you should follow the relevant procurement procedures. For example, if you know you need 20 desks at \$600 each, you cannot buy them separately to avoid obtaining 3 quotes. Be sure you can justify, with a good business reason, the practice of small, frequent purchases from one vendor.
- WRITE A SCOPE OF WORK STATEMENT. This assures there is no discrepancy in what is told to each vendor from whom bids are solicited. Include:
 - Detail description of item or service
 - Quantities required
 - Schedule of performance
 - Delivery terms
 - Payment terms
 - Insurance or other special requirements
- ESTIMATE THE COST OF YOUR NEEDS. This step only begins the process. The *contract price*, not your estimate, determines the procedures to follow. If you go through the phone quote procedure and the lowest bid is \$50,000, then you must do a formal bid. If, after investigation, the cost of the good or service is over \$10,000, you must obtain 3 phone quotes.



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- SOLICIT PHONE QUOTES OR WRITTEN QUOTES.
- DOCUMENT THE INFORMATION ON THE PROCUREMENT FORM.
- SUBMIT THE PROCUREMENT FORM FOR APPROVAL AND AWARD. The Chief Procurement Officer (CPO) must approve the form and award the contract. The contract is awarded to the lowest bidder who is responsive (offering the quality of supply or service needed) and responsible (demonstrates the ability, capacity and integrity to perform the contract.) DO NOT ORDER the goods or services until this step has been completed.

Procedure over \$50,000:

- DETERMINE WHAT YOU NEED TO BUY. If you can reasonably expect your purchases for a particular service or good to be over \$50,000 during the course of the fiscal year, you should follow the relevant procurement procedures. For example, if you know you need 35 computers at \$1500 each, you cannot buy them separately to avoid the formal bid process. Be sure you can justify, with a good business reason, the practice of small, frequent purchases from one vendor.
- WRITE AN INVITATION FOR BID. This assures there is no discrepancy in what is told to each vendor from whom bids are solicited. Include:
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- HOLD THE BID OPENING AND AWARD THE CONTRACT. The Chief Procurement Officer (CPO) must approve the form and award the contract. The contract is awarded to the lowest bidder who is responsive (offering the quality of supply or service needed) and responsible (demonstrates the ability, capacity, and integrity to perform the contract.) DO NOT ORDER the goods or services until this step has been completed.
- PREPARE A CONTRACT WITH TERMS AND CONDITIONS. The CPO must prepare 3 copies of a written contract signed by the vendor. Include all information from the purchase description (#2 above.) One copy is kept with the awarding department, one with the CPO and the last with the Town Accountant.