

# Town of Stoneham Massachusetts



## Fiscal Guidelines and Policies



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# STONEHAM MASSACHUSETTS

## FINANCIAL GUIDELINES AND POLICIES MANUAL



May 1, 2019

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# FISCAL GUIDELINES and POLICIES

## PREFACE

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

With these policies, the Town of Stoneham, through its Select Board, Town Administrator, School Committee, Superintendent, Finance & Advisory Board, and employees, commits to the following objectives:

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

Town of Stoneham's Fiscal Guidelines adopted on this day May 1, 2019, by

*Shelby A. Marini*

*[Signature]*

\_\_\_\_\_  
Select Board, Chair

\_\_\_\_\_  
Town Administrator

*[Signature]*

*[Signature]*

\_\_\_\_\_  
School Committee, Chair

\_\_\_\_\_  
School Superintendent

*[Signature]*

*[Signature]*

\_\_\_\_\_  
Finance and Advisory Board, Chair

\_\_\_\_\_  
Town Accountant

*[Signature]*

\_\_\_\_\_  
Board of Assessors, Chair

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# ANTI-FRAUD POLICY

## Introduction

The Town of Stoneham and the Stoneham Public Schools recognize the importance of protecting the Town and its operations, citizens, taxpayers, employees and assets against financial risks and unethical activities. It is the policy of the Town of Stoneham and the Stoneham Public Schools to institute and clearly communicate a fraud prevention policy in an effort to prevent and deter all forms of fraud that could threaten the security of our assets and our reputation.

The Town of Stoneham and the Stoneham Public Schools have a Zero Tolerance policy with regard to fraud and are committed to undertake the following steps as part of their anti-fraud policy:

- Education
- Prevention
- Detection
- Investigation
- Corrective Action.

## Education

The most effective way to reach most employees is through education. Actively fighting fraud means implementing policies and procedures that prevent and detect fraud. The Town's goal is to establish and maintain an environment of fairness, ethics, and honesty. To maintain such an environment requires the active assistance of every employee, every day.

## Definition of Fraud

Fraud is defined as a deception deliberately practiced to secure unlawful gain. The term includes such acts as: bribery, deception, embezzlement, extortion, false representation, forgery, the concealment of material facts, the misappropriation of money or assets and collusion or conspiracy to commit any or all of the above acts.

## Reporting of Fraud

The Town recognizes that allegations and concerns about fraudulent activity should be reported to the Town Administrator or his/her designee through the established chain of command (department heads, supervisors, etc.). All employees are encouraged to report any concerns they have or information provided to them about a possible fraudulent act. The Town Administrator has the primary responsibility for the investigation of all suspected fraudulent acts as defined in the policy. All cases of suspected fraud will be investigated and appropriate action will be taken.

The Stoneham Public Schools recognizes that allegations and concerns about fraudulent activity should be reported to the Superintendent of Schools or his/her designee through the established chain of command (principals, directors, supervisors). The Superintendent or his/her designee will report allegations of fraud directly to the Town Administrator or his/her designee. All employees are encouraged to report any concerns they have or information provided to them about a possible fraudulent act.

For reasons of consistency and maintaining a central point of contact, the Town Administrator has the primary responsibility for the investigation of all suspected fraudulent acts as defined in the policy. All cases of suspected fraud will be investigated and appropriate action will be taken.

### **Applicability**

This Policy applies to all employees and elected or appointed officials, Town and School, full, part time, and temporary, all Town Board members, Town Committee members, and Town Commission members, here and after, referred to as Employees. Fraud, as defined by this policy, includes any misuse or attempt to misuse a Town asset for personal gain, or purposes unrelated to Town business. It may include **but is not limited to:**

#### **Misappropriation of Assets**

- Forgery alteration or misappropriation of cash, checks, bank drafts, promissory notes, securities or any other financial document
- Unauthorized use or disposition of funds or property
- Falsifying timesheets or payroll records
- Falsifying travel expenses and/or utilizing Town funds to pay for personal expenses or for personal benefit
- Theft
- Embezzlement
- Fictitious reporting of receipt of funds
- Falsification of expenses and invoices
- The use or assigning of a Town or School employee on other than Town or School business
- Actions which cause the Town's financial reports and/or records to be inaccurate.

#### **Profiteering**

- Offering giving soliciting and/or accepting an inducement or reward that may improperly influence the action of an employee of the Town.

### **Related Policies**

This is a Town policy that is designed to augment Chapter 268A- "The Conflict of Interest Law". It is not intended to replace or preclude it in any way.

This policy will be administered in accordance with Massachusetts General Laws Chapter 149 Section 185 "*Retaliation against employees reporting violations of law or risks to public health safety or environment remedies*".

### **General Policy and Responsibilities-Town**

The Town Administrator, or his/her designee is responsible to investigate any suspected acts of fraud or misappropriation of property. An objective investigation will be conducted of any person, group or organization reasonably believed to have committed fraud, regardless of: position, job title, and length of service or relationship with the Town. Division Heads and Department Heads are responsible for instituting and maintaining programs and controls to prevent deter and detect fraud.

All employees, upon discovery of any violation of this policy, are encouraged to notify the Town Administrator or his/her designee of the violation through the normal chain of command. If the Town Administrator determines that corrective action may be provided for internally within the department, then the Division Head and or the Department Head will notify the Town Administrator as to the steps taken to correct the violation.

The Town Administrator or his/her designee has the primary responsibility for overseeing the investigation of all suspected fraudulent acts as defined in this policy. The Town Administrator will involve such individuals, but not limited to: the Town Accountant, Town Treasurer, Director of Finance, Town Law Enforcement, Human Resources, Legal Counsel, and others deemed appropriate.

Upon conclusion of the investigation, the results will be reported to the Town Administrator or his/her designee. If there are reasonable grounds to believe that a fraud may have occurred, then the Town Administrator will report the incident(s) to the appropriate authorities. Whatever action is taken by such appropriate authorities will not preclude the Town taking disciplinary action where it believes discipline is warranted. Every reasonable effort will be pursued to recover Town assets.

#### **Procedures for Reporting**

Any employee, who reasonably believes that fraud has occurred, is encouraged to notify the Town Administrator or his/her designee. In cases where an employee reasonably believes the Town Administrator is involved, the employee is encouraged to notify the Town Accountant. If it is reasonably believed that the Town Accountant is involved then the employee is encouraged to notify the Director of Human Resources.

#### **Investigation**

Once notification or discovery of a suspected fraud has occurred then the Town Administrator or his/her designee will immediately investigate the suspected fraud. The Town Administrator will make every reasonable effort to maintain confidentiality. If the suspected fraud involves the Town Administrator is involved in the report of fraud, then the investigation will be conducted by the Town Accountant. If the suspected fraud involves both the Town Administrator and the Town Accountant, then the investigation will be conducted by the Director of Human Resources and the appropriate authorities.

#### **Security of Evidence**

Once a suspected fraud is reported, immediate action to prevent the theft, alteration or destruction of relevant records shall be initiated. The records will be adequately secured until the investigation is complete.

#### **Confidentiality**

All participants and all persons questioned in a fraud investigation will keep the details and results of the investigation confidential so as not to violate an individual's expectation of privacy.

### **Personnel Actions**

If a suspicion of fraud is substantiated by the investigation, then the Town Administrator or his/her designee shall take disciplinary action, up to and including dismissal and appropriate legal measures. Such disciplinary action may be taken independent of any findings and conclusions reached by any appropriate authority to which the fraud allegations are reported.

If an allegation is made predicated upon the reasonable belief that a violation has occurred, but it is not confirmed by the investigation, then no action will be taken against the originator. If however, the allegation is made and predicated without the reasonable belief that a violation has occurred, then appropriate disciplinary action may be taken against the individual making the false allegation up to and including termination.

### **General Policy and Responsibilities School**

The Town Administrator or his/her designee is responsible to investigate any suspected acts of fraud or misappropriation of property. An objective investigation will be conducted of any person group or organization reasonably believed to have committed fraud, regardless of: position, job title, and length of service or relationship with the Town.

All Stoneham Public School Employees upon discovery of any violation of this policy, are encouraged to notify the Superintendent of Schools or his/her designee of the violation through the normal chain of command. The Superintendent or his/her designee will report all allegations of fraud to the Town Administrator. If the Superintendent or the Town Administrator determines that corrective action may be provided for internally within the department the Superintendent will notify the Town Administrator as to the steps taken to correct the violation.

The Town Administrator or his/her designee has the primary responsibility for overseeing the investigation of all suspected fraudulent acts as defined in this policy. The Town Administrator will involve such individuals, but not limited to: the Town Accountant, School Superintendent, Town Treasurer, the School Director of Finance, Town Law Enforcement, Human Resources, Legal Counsel, and others deemed appropriate.

Upon conclusion of the investigation, the results will be reported to the Town Administrator or his/her designee and the School Superintendent or his/her designee. If there are reasonable grounds to believe that a fraud may have occurred, then the Town Administrator will report the incident(s) to the appropriate authorities. Whatever action is taken by such appropriate authorities will not preclude the Town or the Public Schools taking disciplinary action where they believe it is warranted. Every reasonable effort will be pursued to recover Town and/or School assets.

### **Procedures for Reporting**

Any Stoneham Public School employee who reasonably believes that fraud has occurred is encouraged to notify the Superintendent of Schools or his/her designee. In

cases where an employee reasonably believes the Superintendent is involved the employee is encouraged to notify the Town Administrator. If it is reasonably believed that the Town Administrator is involved then the employee is encouraged to notify the Human Resources Director.

#### **Investigation**

Once notification or discovery of a suspected fraud has occurred, then the Town Administrator or his/her designee will immediately investigate the suspected fraud. The Town Administrator will make every reasonable effort to maintain confidentiality. Where the Town Administrator is involved in the report of fraud, then the investigation will be conducted by the Town Accountant. Where both the Town Administrator and Town Accountant are involved in the report of fraud, then the investigation will be conducted by the Human Resources Director and the appropriate authorities.

#### **Security of Evidence**

Once a suspected fraud is reported, immediate action to prevent the theft, alteration, or destruction of relevant records shall be initiated. The records will be adequately secured until the investigation is complete.

#### **Confidentiality**

All participants and all persons questioned in a fraud investigation will keep the details and results of the investigation confidential so as not to violate an individual's expectation of privacy.

#### **Personnel Actions**

If a suspicion of fraud is substantiated by the investigation, after conferring with the Town Administrator or his/her designee, then the Superintendent of Schools or his/her designee shall take disciplinary action, up to and including dismissal and appropriate legal measures. Such disciplinary action may be taken independent of any findings and conclusions reached by any appropriate authority to which the fraud allegations are reported.

If an allegation is made predicated upon the reasonable belief that a violation has occurred, but it is not confirmed by the investigation, then no action will be taken against the originator. If however, the allegation is made and predicated without the reasonable belief that a violation has occurred, then appropriate disciplinary action may be taken against the individual making the false allegation, up to and including termination.

**Dissemination**

A copy of the Anti-Fraud Policy will be distributed to all existing and new employees.  
Your signature acknowledges receipt of the Policy.

Approved by the Select Board, May 1, 2019

Approved by the School Committee, May 1, 2019



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Dennis Sheehan, Town Administrator



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John Macero, Superintendent of Schools

# CAPITAL PLANNING

## PURPOSE

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

## APPLICABILITY

This policy applies to all current and proposed capital projects in the Town. It establishes a framework for long-term capital improvements, sets guidelines and expectations for all Town departments in planning for and requesting capital projects, and outlines consensus budgetary goals for the Select Board and Finance & Advisory Board. It also applies to related job duties of the Town Administrator, Town Accountant, and Treasurer/Collector.

## POLICY

The Town will maintain its physical assets by providing funding in the operating budget to protect its capital investments and minimize future maintenance and replacement costs. To provide and preserve the infrastructure needed for achieving the highest levels of public services and quality of life possible within available financial resources, the Town will maintain an annually updated, five (5)-year plan for capital improvements. The Town will emphasize preventive maintenance as a cost-effective approach to capital reinvestment and replace exhausted goods as necessary.

The Town Administrator is charged to oversee Stoneham's capital improvement program. This involves identifying and prioritizing projects, analyzing funding, and creating a long-term financial plan achievable within the Town's budget limitations.

### A. Definition of a Capital Improvement

A capital improvement is a tangible asset or project estimated to cost over \$20,000 and to have or to extend five (5) or more years of useful life. These include:

- Real property acquisitions, construction, and long-life capital equipment
- Major improvements to physical infrastructure, including streets, sidewalks, storm-water drains, and water and sewer systems
- Major renovations of existing capital items that extend their useful lifespans, as distinguished from normal operating expenditures
- Planning, feasibility studies, and designs for potential capital projects
- Items obtained under a long-term capital lease
- Bulk purchases of similar items, like software or furniture, with expected useful lifespans of five (5) or more years that, when aggregated, have total costs exceeding the capital threshold

## B. Inventory

To support a systematic acquisition and replacement schedule, the Town Administrator, with the assistance of the Town Accountant, will annually update and maintain a detailed inventory of all capital assets, which shall include dates built, acquired or last improved, original costs, current conditions, expected and remaining useful lifespans, depreciated values, extent of use, and any scheduled replacement or expansion dates.

## C. Evaluation of Capital Projects

As part of the annual budget process, the Town Administrator will solicit capital project requests from department heads and then evaluate and prioritize them using the criteria below:

1. Eliminates a hazard to public health and safety
2. Required by state or federal laws or regulations
3. Uses outside financing sources, such as grants
4. Supports adopted plans, goals, objectives, and policies
5. Stabilizes or reduces operating costs
6. Makes better use of a facility or replaces a clearly obsolete one
7. Maintains or improves productivity or existing standards of service
8. Directly benefits the Town's economic base by increasing property values
9. Provides new programs having social, cultural, historic, economic, or aesthetic value
10. Impact on operational or personnel costs

## D. Multiyear Capital Improvement Plan

The Capital Improvement Committee (CIC) will annually update and propose to the Finance & Advisory Board and Select Board a five (5)-year capital improvement plan (CIP), including the upcoming fiscal year's capital budget and a four (4)-year projection of capital needs and expenditures that details their estimated costs, descriptions, and anticipated funding sources.

Throughout the year, the Town Accountant will monitor active capital projects to ensure they remain properly funded and will report any issues to the Town Administrator.

## E. Capital Financing

As a reserve for the CIP, the Town will maintain a capital investment stabilization fund to provide the flexibility to pay outright for moderate-range capital expenditures while preserving debt capacity for major, higher-dollar purchases or projects. In accordance with the Town's Financial Reserves policy, the target maintenance level for this reserve shall be two (2) to four (4) percent (%) of the Town's annual operating budget.

Annually, the Town will strive to maintain three to five (3-5) percent (%) of the tax levy on capital investment allocations (Debt). Funding shall be derived from a combination of property taxes and the general and capital improvement stabilization funds. Long-term debt is an appropriate funding source for certain types of projects, while short-term debt and current revenues should be used for assets with short useful lifespans.

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

- Special revenue sources (e.g., grants, revolving funds) shall be evaluated as funding options whenever practical.
- The annual operating costs of each proposed capital project, as well its debt service costs, shall be identified before any long-term, bonded capital project is recommended.
- Short-term debt may be used to fully finance purchases with useful lifespans of less than 10 years.
- Major capital projects, such as new construction or major renovations to existing facilities, may be accomplished through capital or debt exclusions.
- Infrastructure or facility maintenance budgets built into the general operating budget will not be reduced to fund other departmental budgets.
- To the extent feasible, all capital projects associated with the Town's two (2) business-type operations (i.e., Water and Sewer) shall be financed from user fees.

## F. Capital Project Closeouts

The Town will endeavor to close out all capital projects within six (6) months of completion or discontinuation. When closing out any project with a residual balance, the Town Accountant will work with the Treasurer/Collector to do one of the following:

- If the project was funded by available revenue (tax levy or reserves), re-allocate the balance to another capital project(s) or close it to the appropriate fund surplus.
- If the project was bond-funded and has a balance under \$50,000, propose that the Select Board apply the balance to debt service.
- If the project was bond-funded and has a balance over \$50,000, propose that the Select Board apply the balance to another capital project(s) for which the Town may borrow for an equal or greater term than the originally issued loan.

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# DEBT MANAGEMENT

## PURPOSE

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

## APPLICABILITY

This policy applies to the budget decision-making duties of the Select Board, Town Administrator, Finance & Advisory Board and the Capital Improvements Committee (CIC), it applies to the Treasurer/Collector's debt management responsibilities and Town Accountant's budget analysis and reporting duties.

## POLICY

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

### A. Debt Financing

In financing with debt, the Town will:

1. Issue long-term debt only for purposes that are authorized by state law.
2. Use available funds to the greatest extent possible to reduce the amount of borrowing on all debt-financed projects.
3. Confine long-term borrowing to capital improvements and projects that cost at least \$100,000 and that have at least 5 years of useful life or whose useful lifespans will be prolonged by at least 5 years.
4. Refrain from using debt to fund any recurring purpose, such as current operating and maintenance expenditures.
5. Consider using revenue bonds, special assessment bonds, or other types of self-supporting bonds instead of general obligation bonds whenever possible.
6. Set user fees to cover capital costs for the water and sewer enterprise operation to the extent possible.

## B. Debt Limits

The Town will adhere to these debt parameters:

1. Total debt service, excluding debt exclusions and any self-supporting debt, shall be limited to three to five (3-5) percent (%) of the tax levy.
2. As dictated by state statute, the Town's debt limit shall be five (5) percent (%) of its most recent equalized valuation.

## C. Structure and Term of Debt

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

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

## D. Bond Refunding

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

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

## E. Protection of Bond Rating

To obtain and maintain a favorable bond rating, the Town will:

1. Maintain good communications with bond rating agencies, bond counsel, banks, financial advisors, and others involved in debt issuance and management.

2. Follow a policy of full disclosure on every financial report and bond prospectus, including data on total outstanding debt per capita, as a percentage of per capita personal income, and as a percentage of total assessed property value.

F. Reporting

1. The Treasurer/Collector will report to the Select Board and Town Administrator on the Town's debt status at least annually.
2. The Town Accountant, 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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## **DISBURSEMENTS**

### **PURPOSE**

To mitigate the risk of fraud and ensure the Town disburses cash only for legally valid liabilities, this policy establishes guidelines for the expenditure of Town funds.

### **APPLICABILITY**

This policy applies to the Town Accountant's and Treasurer/Collector's job duties and to the Town Administrator's warrant approval responsibilities. It further applies to all department heads and elected or appointed officials who submit requests for expense and payroll disbursements (referred to here as "department heads"). Note that any elected or appointed board serving as a department head may vote to delegate the authority for approving payroll and expense submissions to one of its members, but no board can assign this responsibility to a non-board member.

### **POLICY**

No disbursement for any payroll or accounts payable (AP) expense shall occur without the prior review and approval of the Town Accountant and Town Administrator. Accordingly, the Town Accountant is responsible for finalizing every AP and payroll warrant and the Town Administrator for approving each. All payroll expenditures must be based on approved time and attendance records and consistent with collective bargaining agreements or personal service contracts. All vendor payments must be based on original invoices and issued only to entities with valid form W-9s on file.

Printed on the face of every disbursed check will be: "Void if not cashed within one (1) year of issuance." The Treasurer/Collector will secure all checks in a safe until distributed. As a tax-exempt organization, the Town will not pay sales tax on any expense, including those associated with any employee personal reimbursements.

#### **A. Ongoing Maintenance of Payroll and Leave Time Data**

The Town Accountant is responsible for maintaining the Munis Payroll database of all active town employees, including their salaries, pay rates, stipends, weekly work hours, benefit options, and withholdings. Any change to an employee's employment status, work hours, or pay rate can only be made by the Town Accountant's Office based on a wage action form signed by the appropriate department head, Human Resource Director, Town Accountant, and Town Administrator.

The Town Accountant is responsible for maintaining and updating weekly in Munis of employee leave time accumulations and usage. Any change the Town Accountant makes to any employee's rate of accumulation must be supported by one of the following documents: collective bargaining agreement, classification schedule, or personal services contract. Deductions to leave time will be based on data reported on weekly time sheets.

## B. Weekly Responsibilities Related to Disbursement Processing

Each **department head** is responsible for:

- Assuring that all purchases of goods and services conform to the state's procurement laws
- Verifying that adequate funds exist in the department's budget for every AP and payroll submission, attesting to the accuracy of each submission via signature, and timely submitting the disbursement requests to the Town Accountant
- Distributing paychecks to employees upon receipt from the Treasurer/Collector

The **Town Accountant** (and/or any delegated staff) is responsible for:

- Including each requested expense on the AP/payroll warrant only after validating:
  - Procurement laws were adhered to.
  - The submission is legal.
  - No fraud is evident.
  - Adequate funds exist.
- Entering payroll data in Munis based on time sheets received from departments
- Preparing the AP and payroll warrants and submitting them to the Selectmen for approval
- Ensuring the payroll warrant balances with departmental submissions before providing it to Town Administrator for signature
- Updating the general ledger with all AP and payroll warrant expenditures

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

- Transmitting the finalized direct deposit and positive pay files
- Reviewing the AP warrant and withholding from disbursement any amounts owed to the town by listed payees
- Upon receipt of payroll and AP warrants signed by the Town Administrator, funding the associated bank accounts in the gross amount of each warrant, net any voids listed
- Mailing out all AP checks to the vendors. The Treasurer/Collector will not give any vendor checks to department heads or other employees to mail.
- Updating the cashbook to document the disbursement activity

The **Town Administrator** is responsible for:

- Reviewing each warrant for appropriateness by examining the invoices, back-up documents, and payroll detail, and directing any inquiries to the Town Accountant
- Approving the warrants by signing them

### C. Emergency Disbursements

If there is an emergency or extenuating circumstance where payment must be made to a vendor outside of the normal warrant process, the Treasurer/Collector may issue a manual check with written authorizations by the Town Administrator and Town Accountant. In any such case, the department head will submit the expense to be processed as a no-check on the next accounts payable warrant.

### D. Prior Fiscal Year Bills

To maintain the integrity of the annual budget, departments will charge all invoices to the proper fiscal year. In the event a department has an invoice for a prior fiscal year, it shall be submitted at a town meeting to authorize the payment and funding source. The appropriation can only be approved with a four-fifths (4/5) vote of annual town meeting or a nine-tenths (9/10) vote of a special town meeting.

### E. Audit

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

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## PETTY CASH ADMINISTRATION

### PURPOSE:

To mitigate the risk of fraud and ensure the Town disburses cash only for legally valid liabilities, this policy establishes guidelines for the expenditure of Town funds.

### 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 or to make change (i.e. school lunch). Petty cash can only be replenished by submittal of all documentation and receipts through the warrant process for review by the town accountant. Petty Cash transactions will never be used to finance payroll. Petty cash will be used in with the same restrictions as defined by the Town of Stoneham's Expense Reimbursement Policy and Procedures section five (5) for non-reimbursable expenses.

### PROCEDURES:

- Requests for petty cash accounts or changes to the limit must be submitted in writing to the town accountant
- All requests for establishment of petty cash accounts or changes to limits must be subject to approval of the town accountant
- If approved by the town accountant, the specific petty cash account should be under the custody of one authorized official in the respective department
- Petty cash will be drawn from a line item in the requesting department's budget;
- All petty cash transactions shall be documented with a receipt from the vendor/service provider to the authorized departmental petty cash cashier
- The petty cash custodian in the department will submit all documentation and receipts on a **Bill Schedule** to the town accountant as part of the accounts payable warrant process each week in order to replenish the petty cash account
- The petty cash account will only be replenished by the town accountant based on review of the documentation submitted through the warrant process. If it has been determined that any inappropriate uses of petty cash has occurred or if the required petty cash policy is not being followed, the account will be terminated and the custodian could face possible disciplinary actions
- All petty cash accounts reimbursements shall be done by the second week of June and then immediately deposited to that department's petty cash revenue account that will be established.

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# **FINANCIAL MANAGEMENT TEAM**

## **PURPOSE**

To maximize the effectiveness of financial practices by optimizing the coordination of interdepartmental activities and long-range plans, this policy establishes a financial management team that will meet monthly to discuss common goals, objectives and update this guideline as necessary.

Team meetings help the Town's finance officers to maintain open lines of communication and reinforce awareness of their interdependence. In this forum, committee members can identify critical junctures, consider strategies to deal with anticipated areas of concern, and establish agreement about goals, deadlines, and each individual's role in meeting common objectives. A formal financial management team approach also fosters institutional continuity during times of turnover in financial offices.

## **APPLICABILITY**

This policy applies to the Town Administrator, Town Accountant, Treasurer/Collector, Director of Assessing, the Superintendent of Schools and the Director of Finance for Stoneham Schools.

## **POLICY**

The Town establishes a financial management team consisting of the Town Administrator, Town Accountant, Treasurer/Collector, Director of Assessing, Superintendent of Schools and the Director of Finance for Stoneham Schools. Meetings of the team will be scheduled at a consistent time each month and more frequently when necessary. Agenda topics will include:

- Updating the status of assigned responsibilities and due dates related to cyclical procedures
- Reviewing budget preparation, including financial forecasting and capital funding analysis
- Monitoring monthly revenue and expenditure reports and analyzing cash flow
- Developing corrective action plans for citations in the external auditor's management letters
- Reviewing the effectiveness of internal controls and proposing internal audits
- Coordinating submissions to the Division of Local Services
- Assessing special projects assigned by the Select Board or others
- Pursuing professional development and training opportunities

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## FINANCIAL RESERVES

### PURPOSE

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

### APPLICABILITY

This policy pertains to short and long range budget decision-making duties of the Select Board, Town Administrator and Finance and Advisory Board. It also applies to the duties of the Town Accountant.

### POLICY

The Town is committed to building and maintaining its reserves so as to have budget flexibility for unexpected events and significant disruptions in revenue-expenditure patterns and to provide a source of available funds for future capital expenditures. The Town will strive to maintain overall general fund reserves in the level of 10-15% of the general fund operating budget. In addition to the General Fund Reserves, the Enterprise Funds will maintain their own reserves. Adherence to this policy will help the Town withstand periods of decreased revenues and control spending during periods of increased revenues. There are multiple types of reserves, including free cash, stabilization funds, overlay surplus, and retained earnings (Water & Sewer).

#### A. Free Cash

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

#### B. Stabilization Funds

A stabilization fund is a reserve account allowed by state law to set aside monies to be available for future spending purposes, including emergencies or capital expenditures, although it may be appropriated for any lawful purpose. As detailed below, the Town has established two (2) stabilization funds, each of which is accounted for and reported as a trust fund, regardless of authorized use.

**General Stabilization Fund:** The Town will endeavor to maintain a minimum balance of five (5) percent (%) of the current operating budget in its general stabilization fund. Withdrawals from general stabilization should only be used to

mitigate emergencies or other unanticipated events that cannot be supported by current general fund appropriations. When possible, withdrawals of funds should be limited to the amount available above the five (5) percent (%) minimum reserve target level. If any necessary withdrawal drives the balance below the minimum level, the withdrawal should be limited to one-third (1/3) of the general stabilization balance.

Further, the Town Administrator will develop a detailed plan to replenish the fund to the minimum level within the next two (2) fiscal years. General guideline of building the Stabilization account in order to protect the services of the Town during a down economy, capital, or material unforeseen expenditures which otherwise would cause a dramatic change in the tax rate. The use of the Stabilization Account to fund operating and personnel costs should be avoided whenever possible.

1. If free cash exceeds five (5) percent (%) of the town budget, the town shall appropriate no less than ten (10) percent (%) of available Surplus Revenue at the next Town Meeting into the general stabilization fund.
2. If free cash is less than five (5) percent (%) of the town budget, the town shall appropriate no less than five (5) percent (%) of available Surplus Revenue at the next Town Meeting into the general stabilization fund.
3. The Stabilization Account should be invested in a separate investment account and invested in accordance with Massachusetts General Laws.

**Capital Stabilization Fund:** The Town will annually appropriate five (5) percent (%) of the certified free cash to this fund until it minimally achieves a balance equal to two – four (2-4) percent (%) of the general fund operating budget. By sustaining funding in this reserve, the Town can balance debt with pay-as-you-go practices and protect against unforeseen costs.

The Capital Stabilization Account should be invested in a separate investment account and invested in accordance with Massachusetts General Laws.

### **C. Retained Earnings**

The Town's Water and Sewer Department's finances are managed under enterprise funds, which allows the Town to effectively identify the utility's true delivery costs-direct, indirect and capital-and set user fees at a level sufficient to recover them. Under this accounting, the Town may reserve the Water and Sewer operation's generated surplus (referred to as retained earnings) rather than closing the amount to the General Fund at year end.

The Town shall maintain a minimum of 20% of the operations total budget respectively, but the reserve target may be significantly higher if major infrastructure improvements are necessary. The reserve will be used to provide rate stabilization and to fund major capital projects. To maintain the target reserve level for the enterprise funds requires a periodic review, and when necessary, adjust user rates.

**D. Overlay Surplus:**

The purpose of the overlay reserve is to offset unrealized revenue resulting from uncollected property taxes, abatements and exemptions. Each year as part of the budget process, the Board of Assessors will vote to authorize a contribution to the overlay account, which the Town will raise on the annual recapitulation sheet. The amount to be added to the overlay account should be based on the following:

- Current balance in the overlay account
- Three (3)-year average of granted abatements and exemptions
- Potential abatement liability in cases pending before, or on appeal from, the Appellate Tax Board (ATB)
- Timing of next DLS certification review (scheduled every five (5) years).

At the conclusion of each fiscal year, the Board of Assessor's will submit to the Town Administrator and Town Accountant an update of the overlay reserve with data that includes, but is not limited to, the gross balance, potential abatement liabilities and transfers to surplus. If the balance exceeds the amount of potential liabilities, the Town Administrator or Town Accountant may request that the Board of Assessors vote to declare those balances surplus and available for use in the Town's capital improvement plan or for any one-time expense.

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# FORECASTING

## PURPOSE

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

## APPLICABILITY

This policy applies to the Town Administrator, the Select Board and Finance & Advisory Board in their budget analysis and decision-making responsibilities. It also applies to the job duties of the Town Accountant and to the managers of all revenue-generating departments, including the Water and Sewer Enterprise Funds.

## POLICY

### A. Revenue Guidelines

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

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

- Snow and ice deficit
- General stabilization fund
- Capital investment stabilization fund
- Cash capital budget
- OPEB Trust Fund
- Capital Items

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

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

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

This policy further entails the following expectations regarding revenues:

- The Assessing Department will maintain property assessments for the purpose of taxation at full and fair cash value as prescribed by state law.
- Town departments that charge fees will annually review their fee schedules and propose adjustments when needed to ensure coverage of service costs.
- The Building Inspector will notify the Town Administrator of any moderate-to-large developments that could impact building permit volume.
- Department heads will seek out all available grants and other aid and will carefully consider any related restrictive covenants or matching requirements (both dollar and level-of-effort) to determine the cost-benefit of pursuing them.
- Revenue estimates will be adjusted throughout the budget cycle as more information becomes available.
- To the extent feasible, the Town Administrator and the Town Accountant, with input from the Water and Sewer Review Board will set rates sufficient to cover all fiscal year operating and capital improvement costs so as to minimize any general fund subsidies.

## B. Expenditure Guidelines

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

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.

## C. Financial Forecast Guidelines

To determine the Town's operating capacity for each forthcoming fiscal year, the Town Administrator, with the Town Accountant's assistance, will annually create a detailed budget forecast, including a five (5)-year projection of revenues and expenditures for all operating funds. These forecasts will be used as planning tools in developing the following

year's operating budget and the five-year capital improvement plan. The Town Administrator will provide the forecasts to the Select Board, School Committee and Finance & Advisory Board at the beginning of the budget cycle each year.

To ensure the Town's revenues are balanced and capable of supporting desired levels of services, forecasts for property taxes, local receipts, and state aid will be conservatively based on historical trend analyses and will use generally accepted forecasting techniques and appropriate data. To avoid potential revenue deficits, estimates for local receipts (e.g., inspection fees, investment income, license fees) should generally not exceed 90% of the prior year's actual collections without firm evidence that higher revenues are achievable.

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

- The Town's current level of services will provide the baseline for projections.
- Property taxes (absent overrides) will grow at the limits of Proposition 2½.
- New growth will be projected conservatively, taking into account the Town's three-to five (3-5) 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.
- 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 Water and Sewer Enterprise Funds will reimburse the general fund for indirect costs.
- The Finance and Advisory Board Reserve Fund shall only be used to provide for extraordinary or unforeseen expenditures, the town may at the annual or special town meeting appropriate or transfer a sum of \$200,000-\$250,000 within five to seven (5-7) fiscal years from the adoption of these fiscal guidelines. No direct drafts shall be made, but, transfer from the fund may from time to time be voted by the Finance and Advisory Board, in accordance with their Reserve Fund Policy, and the Town Accountant shall make such transfers accordingly.

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# INVESTMENTS

## PURPOSE

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

## APPLICABILITY

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

## POLICY

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

The Treasurer/Collector will ensure all investment activity complies with state statutes governing allowable investment instruments, diversification principles, and investment restrictions for all short- and long-term funds. The Treasurer/Collector will also comply with the principles outlined in the Investment Policy Statement published by the Massachusetts Collectors & Treasurers Association (MCTA), which is included in this manual's appendix.

### A. Investment Objectives

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

- To preserve capital, the Treasurer/Collector will mitigate credit and interest rate risks by prudently selecting and diversifying investment instruments and depository choices.

- The Treasurer/Collector will ensure the overall investment portfolio remains sufficiently liquid to meet all reasonably anticipated operating requirements. Since all possible cash demands cannot be anticipated, the Treasurer/Collector will carry out investment activities in a manner that provides for meeting unusual cash demands without liquidating investments and thereby potentially forfeiting accrued interest earnings and losing principal.
- The Treasurer/Collector will manage all investments so as to achieve a fair market average rate of return, taking into account safety and liquidity constraints, as well as all legal requirements.
- For trusts and other long-term funds, the Treasurer/Collector will invest fund assets for the primary purpose of growth, not liquidity, and will follow the risk mitigation guidelines in section B below.

## B. Risk Tolerance

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

- The Treasurer/Collector will manage **credit risk** by following the guidelines on investment instruments published by the MCTA and incorporated here by reference. This mitigates the risk that an insurer or other counterparty to an investment will not fulfill its obligations.
- To mitigate **custodial risks** when investing with any financial institution, the Treasurer/Collector will review its financial statements and advisor's background to limit the Town's exposure only to institutions with proven financial strength, capital adequacy, and overall affirmative reputations in the municipal investment industry. The Treasurer/Collector will further ensure that all securities not held directly by the Town will be held in the Town's name and tax identification number by third (3<sup>rd</sup>)-party custodians approved by the Treasurer/Collector and evidenced by safekeeping receipts showing individual CUSIP (Committee on Uniform Security Identification Procedures) numbers for each.

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

- The Treasurer/Collector will minimize **concentration of credit risk** by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. This mitigates the risk associated with the magnitude of the Town's investment in a single issuer.

- The Treasurer/Collector will carefully manage the duration of each investment account to mitigate **interest rate risk**, which is the risk that changes in interest rates will adversely affect an investment's fair market value.
- The Treasurer/Collector will mitigate **foreign currency risk** by limiting investments in any instruments with foreign currency exposures. This minimizes risk that changes in foreign exchange rates will adversely affect an investment deposit or its fair market value.

### C. Ethics

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

### D. Relationship with Financial Institutions

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

When using the Veribanc rating service, the Treasurer/Collector may invest in banks that show green ratings and will subsequently monitor the ratings quarterly. If a banking institution's rating turns yellow, the Treasurer/Collector will request the institution provide a written explanation for the rating change and expected timetable for changing back to green. If the rating is still yellow for a second (2<sup>nd</sup>) quarter, the Treasurer/Collector will consider liquidating all funds that are not collateralized or do not carry some form of depositor's insurance. If any rating becomes red, the Treasurer/Collector will ensure that all money is immediately collateralized, covered by some form of depositors insurance, or removed from the banking institution.

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

- Audited financial statements
- Proof of National Association of Security Dealers certification
- Statement that the broker/dealer has read and will comply with this policy
- Proof of credit worthiness (minimum standards: at least five (5) years in operation and a minimum capital of \$10 million)

## E. Reporting Requirements

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

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

## **OTHER POSTEMPLOYMENT BENEFITS LIABILITY**

### **PURPOSE**

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

### **APPLICABILITY**

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

### **BACKGROUND**

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

### **POLICY**

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

#### **A. Accounting for and Reporting the OPEB Liability**

The Town Accountant will obtain actuarial analyses of the Town's OPEB liability every two (2) years and will annually report the Town's OPEB obligations in financial statements that comply with the current guidelines of the Governmental Accounting Standards Board. The Town Administrator will ensure that the Town's independent audit firm reviews compliance with the accounting and reporting provisions of this policy as part of its annual audits and reports on these to the Select Board.

#### **B. Trust Management and Investment**

The Trust shall be administered by a Board of Trustees consisting of three (3) members, who shall include the Town Accountant, Town Treasurer and the School Director of Finance. Upon the expiration of the term or sooner resignation or removal of the Town Accountant, Town Treasurer or the School Finance Director, the position of

Trustee shall be deemed vacant until that position is filled. The Town Administrator shall serve as an ex officio member of the Board of Trustees or, if so appointed by the Select Board, as a voting member.

#### C. Mitigation

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

#### D. OPEB Funding Strategies

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

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

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

# PROCUREMENT CONFLICT OF INTEREST

## PURPOSE

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

## APPLICABILITY

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

## POLICY

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

To comply with the state's [Uniform Procurement Act](#) per Mass General Laws in Appendix E, any purchase for supplies or services ([with certain exceptions](#)) costing more than \$10,000 requires solicitation of three (3) written quotes for contracts and those over \$50,000 require competitive sealed bids or proposals for contracts. No quote or bid process is required when procuring supplies or services from vendors that are under state contracts or involved in regional cooperative purchasing agreements.

### A. Confidentiality during the Bid Evaluation Process

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

The departmental purchasing employee must:

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

The Town Administrator must:

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

#### B. Conflict of Interest in Procurement

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

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

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

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

Any person with a conflict as described above shall not participate in the preparing of specifications, qualifying vendors, selecting successful bidders on products or services in

which they have an interest, or approving payment to those interests. The only exception to this arises if the person makes full disclosure of a potential conflict and receives an advance, written determination from the [State Ethics Commission](#) that the interest is not so substantial as to be deemed likely to affect the integrity of the services the Town may expect from that individual.

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

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

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

The departmental purchasing employee must:

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

The Town Administrator must:

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

### C. Compliance Reviews

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

# RECONCILIATIONS

## PURPOSE

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

## APPLICABILITY

This policy applies to the Town Accountant, Treasurer/Collector, their designees (if any), and all departments that use special revenue funds or have accounts receivable responsibilities (e.g., Water, Sewer, Arena, Police, etc.).

## POLICY

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

### A. Cashbook Reconciliation

To ensure an accurate accounting of all revenue activity, the Treasurer/Collector will maintain a cashbook that reflects up-to-date and accurate information for all cash and assets. To do so, the Treasurer/Collector will make certain that all cash receipts, disbursements, transfers, and interest are recorded in the cashbook within two (2) business days of each transaction and will reconcile cashbook accounts to their corresponding bank accounts within five (5) days of receiving bank statements. These will include zero-balance vendor and payroll bank accounts, whose balances must equal the outstanding checks at the end of any month.

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

### B. Payroll Withholdings Reconciliation

Payroll withholdings include federal and state taxes, child support and other wage assignments for legal obligations, deferred compensation, optional insurances,

association dues, and other employer-sponsored options, which are all itemized in separate general ledger accounts. Although payments for withholdings and deductions are automatically issued through Munis via electronic funds transfer or check, the Treasurer/Collector must verify and reconcile all withholdings to the actual disbursements.

The Treasurer/Collector will report specific payroll deductions subject to vendor invoices, such as health insurance, to the Town Accountant for recording in the general ledger. To reduce the risk to the Town for liabilities in excess of deductions, the Treasurer/Collector will conduct monthly reconciliations of those deductions and identify any discrepancies prior to remitting invoices for payment. The Treasurer/Collector will make any necessary payroll changes or adjustments and provide the details of these activities to the Town Accountant.

### C. Accounts Receivable Reconciliation

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

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

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

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

The record-keeper will forward a copy of the internally reconciled accounts receivable balances to the Town Accountant. For the Treasurer/Collector, this is the Schedule of Outstanding Receivables.

#### D. Special Revenue Reconciliation

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

#### E. General Ledger Reconciliation

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

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

- If the total amount of revenue reported in the cashbook does not agree with the amount recorded in the ledger for that month, the Treasurer/Collector must verify that the monthly Treasurer/Collector's Schedule of Receipts agrees by detailed amount and classification with the cashbook and correct any errors.
- Compare the total amount of warrants paid during the month as recorded in the cashbook with the total recorded in the ledger for the same period. The last warrant paid must be the last one recorded; otherwise, a timing problem will create a discrepancy.
- If the records still do not agree, the Treasurer/Collector and Town Accountant must trace each entry to the ledger until the variance is determined.

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

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

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

The Town Accountant will verify that all special revenue fund reconciliations match the general ledger. The responsible department head and Town Accountant must research any discrepancy and correct the record(s) as appropriate.

#### F. Time frames and Documentation

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

Each general ledger reconciliation will be documented by a worksheet cosigned by the two (2) parties. If, at that time, any variance has not yet been fully resolved, this must be noted, along with a work plan and timetable for resolution. The Town Accountant will submit the collective set of reconciliation worksheets to the Town Administrator at each month's end.

#### G. Audit

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

# REVENUE TURNOVER

## PURPOSE

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

## APPLICABILITY

This policy pertains to all cash, check, credit card, and other forms of payment received by all Town departments for taxes, excises, fees, charges, and intergovernmental receipts. It applies to the individuals within each department assigned responsibility for handling payments. It further applies to the Town Accountant's duty to keep the general ledger up to date.

## POLICY

The head of each department that receives payments is responsible for instituting and employing internal controls designed to ensure that all receipts are recorded accurately, kept secure from loss or theft, and turned over timely to the Treasurer/Collector. The Town Administrator will ensure that surety bonds are maintained for all individuals responsible for handling payments to indemnify the Town from potential lost revenue. Each department will turn over at least weekly and sooner than that when receipts total \$500 or more. At month-end, departmental staff will turn over all revenues no later than 11:00 am on the last business day of the month. All cash management activity is subject to review by the Town Accountant and independent auditor.

### A. Receiving Payments

Using pre-numbered receipt books, assigned departmental staff must issue a receipt for every payment received, even when the payer attempts to refuse it. These departmental staff must also identify the forms of payment (check, cash or credit card) in their receipt books. As the exception, employees in the Treasurer/Collector's office receiving taxes and other collections from the public need only issue receipts for cash payments. Every staff person who receives any check will immediately endorse it "For Deposit Only" using a stamp or by handwriting. Every department receiving payments shall secure them in a locked cashbox or safe until completing a turnover to the Treasurer/Collector.

Each department head is responsible for overseeing the processing, recording, record retention, and turning over of receipts to the Treasurer/Collector. To the extent practicable, separate individuals should be tasked with: 1) receiving and endorsing payments, 2) recording payments in the departmental log, and 3) turning receipts over to the Treasurer/Collector.

## B. Turning Over Revenues

Departmental staff will fill out a Schedule of Departmental Payments form in Excel (i.e., the Form 9-10), print two (2) copies, and obtain the department head's signature on them. Every listed receipt should tie back to a receipt book entry and to the receipt summary reports maintained by the department head. Departmental staff will deliver the turnover package in person. At no time will an employee leave a turnover in the Treasurer/Collector's office unattended.

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

When the Treasurer/Collector's office has accepted the turnover, the department employee will receive a Form 9-10 signed by a Treasurer/Collector staff member and will deliver this copy to the Town Accountant. The Town Accountant will refuse to accept any Form 9-10 that does not have a Treasurer/Collector staff member's signature.

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

## C. Receiving Turnovers

When presented with the turnover, Treasurer/Collector staff will count the receipts in the presence of the employee doing the turnover. Any inaccuracies on the duplicate Form 9-10s will be corrected on them at that time and initialed by both parties. The Treasurer/Collector staff member will then sign the forms and give one of them back to the departmental employee.

No less than three (3) times per week, the revenues will be deposited at the bank. Until the deposit is completed, Treasurer/Collector staff will ensure that all receipts are secured at all times, either in a cash drawer, or, if being held overnight, in a safe.

On a daily or weekly basis, the Treasurer/Collector will submit a Schedule of Receipts report to the Town Accountant. The Town Accountant will compare the Form 9-10s received from departments with the Schedule of Receipts reports received from the Treasurer/Collector and contact the Treasurer/Collector or appropriate departmental employee about any discrepancies. The Town Accountant will then post the receipt data to the general ledger.

#### D. Insufficient Funds

Upon notification from the bank of an insufficient check or an invalid or otherwise unpaid electronic funds transfer (EFT), the Treasurer/Collector will enter a negative deposit to the original revenue account in CDS and notify the department responsible for the turnover. The Treasurer/Collector will also make a reversal entry in the cashbook, assigning it to the appropriate bank account.

The Treasurer/Collector will notify the issuer in writing of the bounced check or rejected EFT. Payment of the original amount plus a \$30.00 penalty is due in 10 days and must be in the form of cash, money order, or certified check. There is a \$15 charge if the wrong account number and/or routing number is used when utilizing the town's payment portal for payments online.

It is the department head's (or designee's) responsibility to follow up on collecting the amounts owed. If the payment was for a license or permit, the department will suspend the license or permit until the original amount and penalty have been paid. If it was for a committed receipt (e.g., tax bill), the committed amount will be reinstated by the appropriate official and the usual collection procedures followed.

#### E. Reconciliation

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

#### F. Audit

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

# TAILINGS

## PURPOSE

To minimize the liability posed by uncashed checks and its negative impact on cash position certainty, this policy sets guidelines for the timely resolution of tailings.

A tailing refers to a disbursed but uncashed check, which represents a debit liability on the Town's books. It can arise from any treasury check issued to pay an employee or vendor, refund a municipal tax or charge, or pay any other municipal obligation. Tailings constitute unclaimed property under M.G.L. c. 200A. Having accepted M.G.L. c. 200A § 9A, the Town can expedite the tailing resolution process and prevent the eventual escheatment of the funds to the State Treasurer, as otherwise required. This policy sets forth the steps that must be taken to properly manage tailings under § 9A.

## APPLICABILITY

This policy applies to the Treasurer/Collector, Town Accountant, and all department heads.

## POLICY

In accordance with § 9A and the Town's Disbursements policy, every check issued by the Treasurer/Collector will have imprinted on its face: "Void if not cashed within one year of issuance." On a monthly basis, the Treasurer/Collector will identify all uncashed checks older than 30 days and attempt to resolve them using the procedures outlined below. Furthermore, at the start of each calendar year, the Treasurer/Collector and Town Accountant will work together to resolve accumulated tailings, either by prompting the actual pay out or through escheatment to the Town.

## PROCEDURES

### A. Monthly Review

Once a month, as part of the bank reconciliation, the Treasurer/Collector will identify all the uncashed checks in the bank statements and enter them into an Excel spreadsheet log of outstanding checks. The Treasurer/Collector will then determine which checks in the cumulative log are outstanding 30 days or more after issuance. The Treasurer/Collector will email the department head associated with each such check to follow up with the employee or vendor payee. The department head will attempt to contact the payee by phone to determine why the check has not been cashed. For all checks still outstanding two (2) weeks after notifying the departments, the Treasurer/Collector will send an uncashed check notice to each payee at his or her last known address.

Also once a month, the Treasurer/Collector will identify all checks that are uncashed more than one year after issuance and notify the bank to stop payment on them. After this point, the checks may still be claimed by the payees but will require reissuance. The Treasurer/Collector will provide a report of the stop-paid checks to the Town Accountant, who will then record the funds as abandoned property liability in the general ledger.

## B. Yearly Review

In the month of January each year, the Treasurer/Collector will review the accumulated inventory of stop-paid tailings and do the following:

1. List the unclaimed checks on the Town's website for a minimum of 60 days under the heading: "Notice of names of persons appearing to be owners of funds held by the Town and deemed abandoned." Along with payee names, this notice will detail the process to claim funds and set a deadline for making a claim not less than 60 days after the initial posting date of the notice on the website.
2. For all checks still unclaimed after the website deadline, publish a notice of the checks in the Stoneham Independent. This notice will be in the same form as the website posting and state a new claim deadline not less than 60 days after the publication date.
3. After 60 days lapse from the newspaper publication, send a notice of all unclaimed funds under \$100 to the Town Accountant. For those \$100 or greater, publish a second (2<sup>nd</sup>) notice in the Stoneham Independent with the same language as the previous except that it provides a deadline for claiming the funds at least one (1) year after the new publication date.
4. Schedule a calendar prompt one (1) year after the second (2<sup>nd</sup>) publication date to review the checks and notify the Town Accountant of all those that are still unclaimed at that time.

## C. Escheatment

Upon receipt of either notice from the Treasurer/Collector described in Section B above, the Town Accountant will escheat the listed funds. This involves reversing the abandoned property liability and recognizing the funds as revenue.

## D. Check Claiming

At any point prior to escheatment, if a payee contacts the Treasurer/Collector to claim a check, the Treasurer/Collector will review the claim for validity and timeliness. If deemed appropriate, the Treasurer/Collector shall submit the claimed amount to the Town Accountant for inclusion on the next disbursement warrant.

## E. Audit

All activity related to tailings is subject to audit by the Town Accountant and independent auditor.

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# TAX ENFORCEMENT

## PURPOSE

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

## APPLICABILITY

This policy applies to the job duties of the Treasurer/Collector, including the responsibility for managing services contracted through the Town's tax title attorney. Tax enforcement applies to all Stoneham real estate property owners whose taxes or water and sewer charges are not exempt.

## POLICY

The Town intends to timely pursue all legal methods to collect taxes from delinquent property owners with the aim of achieving a target 98% property tax collection rate by fiscal year-end. A tax delinquency is defined as a bill outstanding at least one (1) year and one (1) day after its final due date, and it represents a lien on property that remains in effect until all taxes, interest, and fees have been paid in full. The costs of all collection methods are added to the real estate tax bill and property lien. The Town will also periodically pursue foreclosure actions with the primary objective of receiving all monies due.

### A. Demands

Final taxes are due to be paid as of May 1 each year (the due date for the fourth (4<sup>th</sup>) quarter tax bill). No later than June 1, the Treasurer/Collector will issue demand notices to all assessed property owners who have failed to pay in full, have not been granted full exemptions, and do not have automatic stays on record due to bankruptcy filings.

### B. Tax Taking

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

The Treasurer/Collector will send at least one enforcement letter to delinquent property owners as a courtesy to potentially avoid a tax taking advertisement. If this does not result

in full remittance by September 1 the Treasurer/Collector will publish a Notice of Tax Taking in a local newspaper and post the notice in two (2) or more convenient, public places. The Town customarily publishes in the Stoneham Independent. In addition, the Treasurer/Collector posts notices on bulletin boards at town hall, the library, and on the Town's website. From this point forward only cash, certified check, or cashier's check are acceptable forms of payment.

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

#### C. Subsequent Taxes

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

#### D. Interest, Fees, and License Revocation

All delinquent taxpayers are subject to charges, which the Treasurer/Collector will add to their accounts and tax bills. These include interest accrued to the date of tax taking, advertising fees, certified mailing costs, legal fees, and all recording fees.

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

#### E. Tax Title Payment Agreements

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

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

- *Signed agreement between the Treasurer/Collector and taxpayer*
- *Upfront payment of at least 25% 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 (5) years*
- *Statement that defaulting on the agreement will immediately trigger foreclosure action by the Town*

*For taxpayers who fully comply with their payment agreements, the Treasurer/Collector will waive 50% of the interest accrued on their tax title accounts.*

#### F. Redemption or Foreclosure

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

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

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

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

#### **REFERENCES**

[M.G.L. c. 60, § 6](#)    [M.G.L. c. 60, § 16](#)    [M.G.L. c. 60, § 50](#)    [M.G.L. c. 60, § 53](#)  
[M.G.L. c. 60, § 54](#)    [M.G.L. c. 40, § 57](#)    [M.G.L. c. 60, § 61](#)    [M.G.L. c. 60, § 62](#)  
[M.G.L. c. 60, § 62A](#)    [M.G.L. c. 60, § 63](#)    [M.G.L. c. 60, § 76](#)    [M.G.L. c. 60, § 77](#)  
[M.G.L. c. 60, § 79](#)    [M.G.L. c. 60, § 80](#)

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# TAX RECAPITULATION

## PURPOSE

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

## APPLICABILITY

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

## BACKGROUND

The property tax levy is Stoneham’s largest source of revenue, which therefore makes the tax recap a vital component of the Town’s fiscal operations. The Assessing Department oversees two (2) core phases: property valuation and tax rate setting. However, the full process begins with town meeting, involves many other local officials, and requires careful management, teamwork, and cooperation.

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

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

## POLICY

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

### A. Preparation and Town Meeting

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

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

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

#### B. Recording Legislative Actions

To allow time for any required corrective measures, the following tasks will be completed within two (2) weeks after town meeting:

- The Town Clerk will certify all appropriations approved since the last tax rate was set.
- The Town Accountant will reconcile all votes and authorized amounts.
- The Town Clerk, with the Town Accountant's assistance, will enter all town meeting appropriation votes by article into the DLS Gateway system (page 4 of the tax recap).
- From the certified town meeting authorizations, the Town Accountant will complete the following Gateway forms:
  - enterprise estimated revenues and appropriations (Schedule A-2)
  - enterprise receipts and appropriations (Schedule A-2)
  - revolving funds (Form A-3)
  - free cash used (Form B-1)
  - available funds used (Form B-2)
- When applicable, the Treasurer/Collector will prepare the debt exclusion report, including any use of reserved bond premiums (Form DE-1), and report any reserved bond premium amounts used as funding sources (Form B-2).
- In accordance with Stoneham's Indirect Cost Allocation policy, the Town Accountant will include all of the Water and Sewer Departments' indirect costs appropriated in the general fund in part 2. b. of Schedule A-2.

- When applicable, the Town Accountant will include free cash voted to reduce the current tax rate on page 2 of the tax recap.

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

Within two (2) weeks of closing the books for the fiscal year, the Town Accountant will do the following to complete the tax recap:

- Document and report all deficits or other expenditures that must be funded, including debt and snow and ice (page 2 of the tax recap)
- Record the actual amounts received for each type of local receipt (page 3, column (a) of the tax recap and column (a) section 1 on Schedule A-2)
- Enter estimated local receipts using the revenue projections from the final budget approved at town meeting (page 3, column (b) of the recap and column (b) section 1 on Schedule A-2 )
- Enter the actual community preservation fund revenues for the prior fiscal year (Form A-4)
- Enter the actual enterprise revenues for the prior fiscal year (Schedule A-2)

#### D. Property Value Certification

Assessors must value all taxable real and personal property and must classify each property into one (1) of four (4) classes (residential, open space, commercial/industrial, or personal) based on use as of January 1. To do this, the Director of Assessing will:

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

The Director of Assessing will submit the above forms to DLS for review and certification.

#### E. Tax Rate Setting

After DLS has certified property values, the Select Board will hold a public hearing to decide tax policy. At this classification hearing, the Select Board may vote for a single tax rate, which thereby allocates the tax levy proportionately across all property classes, or for a shift of the tax burden between the four (4) classes. Leading to this hearing, the following must be done:

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

#### F. Review and Submittal to DLS

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

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

#### G. Tax Commitment Creation

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

# YEAR-END CLOSING

## PURPOSE

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

## APPLICABILITY

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

## POLICY

The Town Administrator will hold every department head accountable for timely and accurately completing the year-end tasks applicable to each as outlined in this policy. Annually no later than May 15, the Town Administrator will email this policy to all department heads as a reminder of year-end expectations. The Town Administrator will subsequently oversee the coordination of the various year-end task components under the time frames and procedures outlined below. All facets of the year-end closing detailed here will be accomplished no later than October 31 each year.

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

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

The Town Accountant will carefully review any special appropriation account remaining open but inactive in the general ledger for more than two (2) fiscal years to ensure it does not serve as an unauthorized special revenue funding source.

## B. Year-end Encumbrances

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

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

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

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

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

## D. Year-end Transfers

The Town Accountant will pay close attention to any appropriation deficits that may be rectified through line-item transfers and notify the Town Administrator. No earlier than May 1 and no later than July 15, the Town Administrator will put any necessary transfer request on the Finance & Advisory Board's meeting agenda, followed by the Select Board's meeting agenda, for their authorizations by majority votes.

## E. Closing the Books

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

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

- Calculate the general fund's unreserved fund balance.

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

Submissions to DLS will comply with the time frames listed below.

Town Accountant:

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

Town Accountant and Treasurer/Collector:

- Statement of indebtedness September 30
- Treasurer/Collector's year-end cash report September 30
- Cash reconciliation September 30
- Schedule of outstanding receivables September 30

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## **APPENDICES**

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**TOWN OF STONEHAM**

**APPENDIX A: ANTI-FRAUD POLICY ACKNOWLEDGMENT**

My signature signifies that I have read the Policy and that I understand my responsibilities related to prevention, detection, and reporting of suspected misconduct and dishonesty.

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Date Signed: \_\_\_\_\_

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## **APPENDIX B: CREDIT CARD PURCHASE POLICY**

### **PURPOSE**

The purpose of this Policy is to establish guidelines and procedures for the use of Town of Stoneham issued Credit Cards for Town purchases. Credit cards can be used to procure online goods, services, including pre-approved business travel expenses generated while engaged in job related activities away from the regular place of employment only when other means of procurement is not possible such as invoicing and payment through normal Accounts Payable process. Credit cards cannot be used for personal use, cash advances, (ATM or bank tellers), gift cards, legal services, alcohol purchases, entertainment or merchandise credit. This policy is not meant to circumvent the normal purchasing process where vendors bill the Town. If you are using your own personal credit card please reference the Employee Expense Reimbursement Policy and Procedures.

### **APPLICABILITY**

This policy applies to all departments of the Town of Stoneham.

### **USE OF PROCUREMENT CREDIT CARD**

The Credit Card is to be used for Town purchases only.

The Town Credit Card shall not be used for personal purchases of any kind. Use of the Credit Card for personal purchases or expenses with the intention of reimbursing the Town is prohibited and violators will be subject to disciplinary action including possible dismissal.

PLEASE REMEMBER THAT YOU ARE COMMITTING TOWN FUNDS EACH TIME YOU USE THE CREDIT CARD. YOU are the person responsible for all charges made on the card which has been issued to you. Misuse or fraudulent abuse may result in disciplinary action up to and including dismissal. Purchases may not exceed transaction limits assigned to the Credit Card without preapproval from the Town Administrator. It is your responsibility to know your funding limitations and restrictions.

You are responsible for the security of the card. When you receive your Credit Card, IMMEDIATELY SIGN the back of the card and always keep it in a secure place. Although the card is used in your name, it is the property of the Town and is only to be used for Town purchases. The card will have no impact on your personal credit.

Any incentive program benefits derived from use of the Town Credit Card shall be the property of the Town. The Town Administrator will determine the use of any such incentive program benefits.

Card holders shall sign the attached Cardholder Agreement as shown in Appendix A.

## **SALES TAX**

Items purchased by municipalities are exempt from Massachusetts sales tax. It is the card holder's responsibility to notify the merchant that the Town of Stoneham is tax exempt. A copy of the tax exempt certificate is available through the Treasurer's office if necessary. Only sales tax which will be paid is Hotel tax, Meals tax, Local tax, and Out of State tax.

## **RECEIPTS FOR ALL ITEMS YOU PURCHASE**

Purchases are initiated using your assigned card. Be sure your purchases are within your budget and for an appropriate purpose. It is required that you receive a detail receipt of your purchases and a signed receipt. You may order on-line, by telephone, or mail but when you place your order ask that a detail receipt be forwarded to you. This receipt is the only original documentation and must include your name and type of Credit Card. Once you receive your Credit Card statement, verified for accuracy, submit the statement with the detail and signed receipts to the Accounting Office for payment, coded with the budgetary line item allocation.

All purchase made with the Credit Card must be paid for within the grace period so that no interest charges or penalties will accrue.

Lack of processing the necessary transaction into the Accounting Office or lack of proper documentation or authorizations may result in loss of Credit Card privileges and/or personal liability.

It is the responsibility of the Accounting Office to immediately query Department Heads if there is any suspected fraudulent activity on the Credit Card. It is essential that time frames and documentation requirements established by the credit card issuer be followed to protect the Town's rights in a dispute.

## **RETURNS**

If a return or exchange is required, Department Heads shall verify that proper credit was received from the vendor and submit the appropriate paperwork to the Accounting Office to accompany the billing statement. In no case shall a cardholder accept cash in exchange for a returned item.

## **LOST OR STOLEN CARDS**

Your Credit Card must be secured, just as you would secure your own personal cards. If your card is lost or stolen, contact Treasurer's Office immediately.

Upon notifying Treasurer's Office, the card will be immediately deactivated. If the card is reported lost or stolen and is later used, the merchant will decline. Prompt action in these circumstances is very important to reduce Stoneham's liability for fraudulent charges.

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## TOWN OF STONEHAM

### APPENDIX C: CREDIT CARD POLICY CARDHOLDER AGREEMENT

I have read and understand the Credit Card Policy for the Town of Stoneham in conjunction with the Town's Employee Expense Reimbursement Policy and Procedures. I understand that the Town of Stoneham is liable to the financial institution for all charges made by me, as well as charges incurred by my designee(s).

I agree to accept responsibility for the protection and proper use of the credit card while it is in my possession. I understand that I am responsible for retaining all receipts for processing to the Accounting Office and that failure to provide receipts may result in a payroll withholding. I understand that I CAN NOT use the credit card for personal use even if the intent is to reimburse the Town.

I understand that any violations of this policy will result in disciplinary action. I understand that disciplinary action may result in TERMINATION of my employment with the Town.

Should I fail to use this credit card properly, I authorize the Town of Stoneham to deduct an amount equal to the discrepancy from my next payroll check. I also agree to allow the Town of Stoneham to collect any amounts owed by me even if I am no longer employed by the Town. If the Town initiates legal proceedings to recover amounts owed by me under this Agreement, I agree to pay all reasonable legal fees incurred by the Town in such proceedings.

I understand the Town may terminate my rights to use credit card at any time for any reason. I agree to return the credit card to the Treasurer immediately upon request or upon termination of employment.

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Cardholder Name (print)

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Cardholder Signature

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# TOWN OF STONEHAM

## APPENDIX D: EMPLOYEE EXPENSE REIMBURSEMENT POLICY AND PROCEDURES

### 1. Purpose

To establish a policy that sets out procedures for a uniform method for approval, payment and accounting of reimbursements to employees for legitimate business-related expenses.

### 2. Scope

This policy covers all employees, elected officials, and appointed officials, of the Town of Stoneham. The term employee will be used throughout the policy for all covered under the policy.

### 3. Procedures

Town employees are encouraged to identify and have the Town prepay all expenses (e.g. plane tickets, hotel accommodations, conference fees). In addition, Town employees are encouraged to have expenses (e.g. office supplies) directly billed to the Town. The Town has accounts set up with multiple vendors in order to minimize out of pocket expenses incurred by employees.

Employees are expected to secure approval from their department manager and/or the Superintendent of Schools for school employees or the Town Administrator for town employees prior to incurring business-related reimbursable expenses.

For certain town non-union employees, they may receive approval to use their discretion before incurring business-related expenses and may not be required by management to secure pre-approval for each expense. These approvals must be made in writing by the Town Administrator for town employees and be filed with the Town Accountant's Office.

Procedures for requesting and receiving reimbursement are as follows:

- a. The employee completes the employee expense reimbursement form
  - i. Name: Enter your name
  - ii. Occurrence Date: Enter the date(s) when the expenses were incurred.
  - iii. Purpose: Enter purpose for incurring expense.
  - iv. Expenses: Complete the expense portion of the form. (Refer to the "Covered Expenses" portion of this policy, for reimbursement specifics).

- v. Mileage: Complete this section by listing the total business-related mileage; Cents/Mile IRS/ Union Agreement allowable amount multiply the number of miles times the cents per mile to equal total amount due.
- b. The employee attaches all original receipts to the employee expense reimbursement form. When an employee pays by personal check, a copy of the canceled check must also be attached to the reimbursement form. When the employee uses his/her credit card, the customer copy of the credit card receipt and a copy of the credit card statement showing the charge must also accompany the employee expense reimbursement form.
- c. Employee signs and dates the employee expense reimbursement form and submits it to department manager or assigned representative for approval. Reimbursement requests must be submitted no later than one month after the expenses have been incurred.
- d. The department manager reviews the employee expense reimbursement form and the attachments to ensure that the expenses are business-related, and fall within the policies set forth by the Town prior to signing the form. If questionable expenses are included on the form, the department manager should ask the employee for clarification, gaining mutual agreement whether or not the expense falls within Town definition or reasonable, reimbursable expenses. Approval is deemed given once the department manager signs and dates the form.
- e. The department manager submits the employee expense reimbursement form to the town accountant with the Schedule of Bills Payable so that the employee can receive reimbursement of the business-related expenses in a timely manner.

#### 4. Covered Expenses

The following expenses are considered reasonable employee reimbursable expenses:

- a. Business Mileage

Mileage incurred with a personal vehicle as part of business travel from town offices to an outside destination. Travel must be listed from the town offices, not from the person's home. If the person is traveling from their home to an outside business location, only the mileage incurred in excess of their normal commute to the town office is reimbursable. Reimbursement will be made for the actual business travel at the current IRS rate per mile or the amount set in the collective bargaining agreement

of your union. Employees must log their origination point and destination point on the reimbursement form.

b. In-State Travel expenses

Employees will be reimbursed for in-state travel related expenses only when the travel has been approved in advance by the department manager.

c. Out-of-State Travel expenses

All out-of-state travel must be approved in advance by Town Administrator or the Superintendent of Schools.

d. Business travel requiring overnight accommodations

Prior approval must be secured by the Superintendent of Schools for school employees and the Town Administrator for town employees before any travel outside of the normal business area is incurred. Expenses incurred for hotel/motel/etc. accommodations whenever overnight travel is required will be reimbursed for actual expenses incurred. Employees are expected to stay at "average rate" facilities utilizing a conference rate or a group rate when available. Employees will not be reimbursed for "wet-bar" expenses incurred in their room. An itemized hotel/motel receipt is required as documentation for all overnight accommodation reimbursement requests.

e. Air Transportation

Employees are expected to secure the lowest available fares for airplane, train, or other vehicle transportation. Airplane travel should be at economy, coach, or other lower travel rates. The employee will be reimbursed for actual out-of-pocket expense and receipts must be attached to the expense reimbursement form. Airport parking and/or shuttle fees are reimbursable as long as receipts are submitted.

f. Rental Cars

Employees are expected to use the most reasonable transportation services available to them. Rental cars should be limited to mid-class or smaller vehicles, unless the number of persons attending requires a larger vehicle. Receipts must be attached to the employee reimbursement form.

g. Business Meals, luncheons

The Town will reimburse employees for approved business meals. Approval must be received by department manager for in-state travel and by the Superintendent of Schools for school employees and the Town Administrator for town employees for out-of-state travel. Reimbursement will not be made for alcoholic beverages. Employees are expected to limit meals to a reasonable expense amount and should not include "high priced specialty meals". Reimbursement will be based on actual expense incurred but not to exceed \$35 per day or the amount set in the collective bargaining agreement of your union. Employees are expected to use reasonable discretion in their selection of menu items, whether via room service or in other dining facilities. Itemized receipts must be attached to the expense reimbursement form.

h. Business and Office Supplies

The employee must have department manager approval to incur expenses of this nature, BEFORE any expenses are incurred. Itemized receipts must be attached to the employee expense reimbursement form for all purchases of this nature. The Town has accounts at a variety of businesses and office supply vendors and encourages staff to use these vendors first, if possible.

i. Training

Approved training that is not prepaid by the Town will be considered a reimbursable business expense. Receipts must be attached to the employee expense reimbursement form.

j. Postage

Special postal services or delivery services not available at the Town or which require immediate off site service that is business-related will be reimbursed to the employee. Receipts must be attached to the employee expense reimbursement form.

k. Business-Related Expenses for Other Miscellaneous Items

From time to time other business-related expenses may be incurred that are not listed in this policy, such as parking, road tolls or fees, use of rental equipment, or use of a taxi service. The employee must secure prior approval from his/her department manager before incurring such an expense. The employee will be reimbursed for actual business-related expenses. Receipts must be attached to the employee expense reimbursement form.

## 5. Non Reimbursable Expenses

The following expenditures incurred by an employee in the course and scope of their duties shall not be reimbursed:

- a. Massachusetts sales tax
- b. Alcoholic beverages including liquor, beer and wine
- c. Flowers and gifts for employees or others
- d. Gift Cards
- e. Charitable contributions
- f. Political contributions
- g. The personal portion of any trip
- h. Family expenses, including those of a partner when accompanying employee on Town business, child or pet care
- i. Entertainment expenses, including theatre, shows, movies, sporting events, sightseeing tours, golf, spa treatments, etc.
- j. Non-mileage personal automobile expenses including repairs, insurance, gasoline, traffic citations
- k. Personal losses incurred while on Town business
- l. Expenses paid for by any other organization
- m. Valet services
- n. Mileage while traveling as a passenger in a privately owned car
- o. Personal travel insurance
- p. Medical or hospital expenses
- q. Theft, loss or damage to personal property while on Town business
- r. Personal toilet articles, postage, reading material, personal telephone calls while on Town business

## 6. Employee Misconduct

Disciplinary or corrective action should be taken whenever it is determined that an employee falsified an employee expense reimbursement form, or failed to pay their bill after the Town reimbursement.

When it has been determined that an employee has knowingly and purposefully falsified an employee expense reimbursement form, the Town may take disciplinary action up to and including termination.

If the employee has violated a local, state or federal law, proper authorities will be contacted.

## 7. Exceptions to Policy

Exceptions to this policy may be approved by the Town Administrator or the Superintendent of Schools. Exceptions should be made in writing and attached to the employee expense reimbursement form.

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## **APPENDIX E: PROCUREMENT MGL**

Public procurement procedures that must be followed pursuant to the Massachusetts General Laws:  
(<https://www.mass.gov/files/documents/2018/07/13/Procurement%20Charts%202018.pdf>).

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### M.G.L. c. 149 – BUILDING CONSTRUCTION CONTRACTS

Estimated Contract Amount	Under \$10,000	\$10,000 to \$50,000	Over \$50,000 to \$150,000	Over \$150,000	Over \$10,000,000
<b>Procurement Procedure</b>	Sound business practices (as defined in M.G.L. c. 30B, § 2). <sup>1</sup>	Use a written scope-of-work statement to solicit written responses from no fewer than 3 persons who customarily perform such work.	Sealed bids (using M.G.L. c. 30, § 39M).	Sealed bids (using M.G.L. c. 149, §§ 44A – 44J).	Solicit statements of qualifications prior to soliciting sealed bids (using M.G.L. c. 149, §§ 44A – 44J).
<b>Notice/Advertising Requirements</b>	None.	Post a notice at least two weeks before responses are due on 1) your jurisdiction’s website; 2) COMMBUYS; 3) in the <i>Central Register</i> ; and 4) in a conspicuous place near your office. <sup>2</sup>	Post a notice 1) in your jurisdiction’s office for at least one week before bids are due; and, at least two weeks before bids are due, publish 2) in the <i>Central Register</i> ; 3) in a newspaper; and 4) on COMMBUYS. <sup>3</sup>	Post a notice 1) in your jurisdiction’s office for at least one week before bids are due; and, at least two weeks before bids are due, publish 2) in the <i>Central Register</i> ; 3) in a newspaper; and 4) on COMMBUYS. <sup>4</sup>	Advertise the request for qualifications at least two weeks before responses are due (1) in a newspaper; (2) in the <i>Central Register</i> ; and (3) on COMMBUYS. <sup>5</sup>
<b>DCAMM Certification</b>	No.	No.	No.	Yes. General bidders if more than \$150,000 and filed sub-bidders if more than \$25,000.	Yes. General bidders if more than \$150,000 and filed sub-bidders if more than \$25,000.
<b>OSHA Training</b>	No.	Yes.	Yes.	Yes.	Yes.
<b>Prequalification</b>	No.	No.	No.	Optional. <sup>6</sup>	Yes.
<b>Filed Sub-bids</b>	No.	No.	No.	Yes, if more than \$25,000.	Yes, if more than \$25,000.
<b>Bid Deposit</b>	No.	No.	5% of the value of the total bid.	5% of the value of the total bid or sub-bid.	5% of the value of the total bid or sub-bid.
<b>Payment Bond</b>	No.	50% payment bond if contract is >\$25,000. <sup>7</sup>	50% payment bond.	100% payment bond.	100% payment bond.
<b>Performance Bond</b>	No.	No.	No.	100% performance bond.	100% performance bond.
<b>Prevailing Wage</b>	Yes.	Yes.	Yes.	Yes.	Yes.
<b>Contractor Evaluation</b>	No.	No.	No.	Yes.	Yes.
<b>OSD or Blanket Contract Option</b>	Yes.	Yes.	No.	No.	No.

<sup>1</sup> M.G.L. c. 149, § 44A(2)(A), as amended by Chapter 218 of the Acts of 2016. M.G.L. c. 30B, § 2, defines sound business practices as “ensuring the receipt of favorable prices by periodically soliciting price lists or quotes.”

<sup>2</sup> M.G.L. c. 149, § 44A(2)(B), as amended by Chapter 218 of the Acts of 2016.

<sup>3</sup> M.G.L. c. 149, § 44J, as amended by Chapter 218 of the Acts of 2016.

<sup>4</sup> M.G.L. c. 149, § 44J, as amended by Chapter 218 of the Acts of 2016.

<sup>5</sup> The advertising procedures listed pertain only to the request for qualifications. Within 14 days of the completion of the prequalification process, you are required to post a notice in your jurisdiction and on COMMBUYS listing those general contractors and subcontractors that have been prequalified. A copy of the notice must be sent via first class mail, postage pre-paid, to all prequalified general and subcontractors along with an invitation to bid. The invitation to bid must have a deadline of at least two weeks. Although you may only consider bids from those general and subcontractors who have been prequalified, the advertising requirements for building construction contracts over \$150,000 apply.

<sup>6</sup> If you decide to use the optional prequalification process for projects over \$100,000, follow the procedures listed in the “Over \$10,000,000” column. (Note: The prequalification threshold was not raised in 2016.)

<sup>7</sup> M.G.L. c. 149, § 29.

**M.G.L. c. 30, § 39M, or M.G.L. c. 30B, § 5 – PUBLIC WORKS (NON-BUILDING) CONSTRUCTION CONTRACTS  
(WITH LABOR)**

Estimated Contract Amount	Under \$10,000	\$10,000 to \$50,000	\$50,000 or less	Over \$50,000
	M.G.L. c. 30, § 39M	M.G.L. c. 30, § 39M	M.G.L. c. 30B, § 5 Option <sup>1</sup>	M.G.L. c. 30, § 39M
<b>Procurement Procedure</b>	Sound business practices (as defined in M.G.L. c. 30B, § 2). <sup>2</sup>	Use a written scope-of-work statement to solicit written responses from no fewer than 3 persons who customarily perform such work. <sup>3</sup>	Sealed bids.	Sealed bids.
<b>Notice/Advertising Requirements</b>	None.	Post a notice at least two weeks before responses are due on 1) your jurisdiction’s website; 2) COMMBUYS; 3) in the <i>Central Register</i> ; and 4) in a conspicuous place near your office. <sup>4</sup>	Post a notice at least two weeks before bids are due 1) in your jurisdiction’s office, and publish 2) in a newspaper; 3) on COMMBUYS; and 4) in the <i>Central Register</i> . <sup>5</sup>	Post a notice 1) in your jurisdiction’s office for at least one week before bids are due; and, at least two weeks before bids are due, publish 2) in the <i>Central Register</i> ; 3) in a newspaper; and 4) on COMMBUYS. <sup>6</sup>
<b>OSHA Training</b>	No.	Yes.	Yes.	Yes.
<b>Prequalification</b>	No.	No.	No.	Maybe. <sup>7</sup>
<b>Bid Deposit</b>	No.	No.	No.	5% of the value of the total bid.
<b>Payment Bond</b>	No.	50% payment bond if contract is more than \$25,000. <sup>8</sup>	50% payment bond if contract is more than \$25,000. <sup>9</sup>	50% payment bond.
<b>Performance Bond</b>	No.	No.	No.	No.
<b>Prevailing Wage</b>	Yes.	Yes.	Yes.	Yes.
<b>OSD or Blanket Contract Option</b>	Yes.	Yes.	No.	No.

<sup>1</sup> Authorized by M.G.L. c. 30, § 39M(d).

<sup>2</sup> M.G.L. c. 30, § 39M, as amended by Chapter 218 of the Acts of 2016. M.G.L. c. 30B, § 2, defines sound business practices as “ensuring the receipt of favorable prices by periodically soliciting price lists or quotes.”

<sup>3</sup> M.G.L. c. 30, § 39M, as amended by Chapter 218 of the Acts of 2016.

<sup>4</sup> M.G.L. c. 30, § 39M, as amended by Chapter 218 of the Acts of 2016.

<sup>5</sup> M.G.L. c. 30B, § 5, and M.G.L. c. 9, § 20A.

<sup>6</sup> M.G.L. c. 149, § 44J.

<sup>7</sup> Although M.G.L. c. 30, § 39M, does not mandate a contractor prequalification process, prequalification of bidders by the Massachusetts Department of Transportation is required for contracts of \$50,000 or more (1) if the awarding authority receives State Aid funds under M.G.L. c. 90, § 34; or (2) the work is on a state road, regardless of whether the awarding authority receives State Aid funds under M.G.L. c. 90, § 34.

<sup>8</sup> M.G.L. c. 149, § 29.

<sup>9</sup> M.G.L. c. 149, § 29.

**M.G.L. c. 30, § 39M, or M.G.L. c. 30B, § 5 – CONSTRUCTION MATERIALS PROCUREMENTS  
(WITHOUT LABOR)**

Estimated Contract Amount	Under \$10,000	\$10,000 to \$50,000	Over \$50,000	Any Amount
	M.G.L. c. 30, § 39M	M.G.L. c. 30, § 39M	M.G.L. c. 30, § 39M	M.G.L. c. 30B, § 5 Option <sup>1</sup>
<b>Procurement Procedure</b>	Sound business practices (as defined in M.G.L. c. 30B, § 2). <sup>2</sup>	Use a written scope-of-work statement to solicit written responses from no fewer than 3 persons who customarily perform such work.	Sealed bids.	Sealed bids.
<b>Notice/Advertising Requirements</b>	None.	Post a notice at least two weeks before responses are due on 1) your jurisdiction’s website; 2) COMMBUYS; 3) in the <i>Central Register</i> ; and 4) in a conspicuous place near your office. <sup>3</sup>	Post a notice 1) in your jurisdiction’s office for at least one week before bids are due; and, at least two weeks before bids are due, publish 2) in the <i>Central Register</i> ; 3) in a newspaper; and 4) on COMMBUYS. <sup>4</sup>	Post a notice at least two weeks before bids are due 1) in your jurisdiction’s office, and publish 2) in a newspaper; 3) on COMMBUYS; and 4) in the <i>Central Register</i> . <sup>5</sup>
<b>OSHA Training</b>	No.	No.	No.	No.
<b>Prequalification</b>	No.	No.	No.	No.
<b>Bid Deposit</b>	No.	No.	5% of the value of the total bid.	No.
<b>Payment Bond</b>	No.	50% payment bond if contract is more than \$25,000. <sup>6</sup>	50% payment bond.	50% payment bond if contract is more than \$25,000. <sup>7</sup>
<b>Performance Bond</b>	No.	No.	No.	No.
<b>Prevailing Wage</b>	No.	No.	No.	No.
<b>OSD Option</b>	Yes.	Yes.	Yes.	No.
<b>Blanket Contract Option</b>	Yes.	Yes.	No.	No.

<sup>1</sup> Authorized by M.G.L. c. 30, § 39M(d).

<sup>2</sup> M.G.L. c. 30, § 39M, as amended by Chapter 218 of the Acts of 2016. M.G.L. c. 30B, § 2, defines sound business practices as “ensuring the receipt of favorable prices by periodically soliciting price lists or quotes.”

<sup>3</sup> M.G.L. c. 30, § 39M, as amended by Chapter 218 of the Acts of 2016.

<sup>4</sup> M.G.L. c. 149, § 44J.

<sup>5</sup> M.G.L. c. 30B, § 5, and M.G.L. c. 9, § 20A. (Note: If the procurement will exceed \$100,000, and the materials will be purchased for the purpose of stockpiled inventory and will not be used in conjunction with a specific project, at least two weeks before bids or proposals are due, publish in the *Goods and Services Bulletin*.)

<sup>6</sup> M.G.L. c. 149, § 29.

<sup>7</sup> M.G.L. c. 149, § 29. (Note: If the materials will be purchased for the purpose of stockpiled inventory and will not be used in conjunction with a specific project, you do not need to obtain a payment bond.)

**M.G.L. c. 7C, §§ 44-58 – DESIGN SERVICES FOR PUBLIC BUILDING PROJECTS:  
Cities, Towns, Regional School Districts and Horace Mann Charter Schools<sup>1</sup>**

<b>Estimated Design Fee (EDF)/Estimated Construction Cost (ECC)</b>	<b>EDF less than \$30,000 or ECC less than \$300,000</b>	<b>EDF \$30,000 or more and ECC \$300,000 or more</b>
<b>Procurement Procedure</b>	None. Recommend soliciting qualifications and prices from at least three designers.	Qualifications-based selection process. Jurisdiction must either (1) set the design fee; or (2) set a not-to-exceed fee limit and then negotiate the fee with the top-ranked designer within the fee limit.
<b>Advertising Required</b>	No.	Advertise in the <i>Central Register</i> <b>and</b> your local newspaper at least two weeks before the deadline for filing applications.
<b>Designer Selection Board<sup>1</sup></b>	No.	No – adopt selection procedure in writing. <sup>2,3</sup>
<b>Designer Application</b>	No.	Yes. See <a href="#">Designer Selection Procedures for Municipalities</a> . Use “Standard Designer Application Form for Municipalities and Public Agencies not within DSB Jurisdiction (Updated July 2016)”
<b>Designer Evaluation (Submit to DCAMM and Designer Selection Board)</b>	No.	Yes. See <a href="#">Designer Evaluation Forms &amp; Information for Municipalities and Agencies</a>
<b>Registration</b>	Yes.	Yes.
<b>Insurance</b>	No.	At a minimum, the lesser of \$1 million or 10% of the project’s estimated cost of construction. <sup>4</sup>
<b>Prevailing Wage</b>	No.	No.

<sup>1</sup> Executive Departments of the Commonwealth and Commonwealth charter schools are subject to the jurisdiction of the Designer Selection Board when the design fee is \$30,000 or more and the estimated construction cost is \$300,000 or more.

<sup>2</sup> Cities, towns, school districts and Horace Mann charter schools are required to adopt their own procedures for selecting designers for building projects. These procedures must conform to the purposes and intent of the designer selection process as outlined in M.G.L. c. 7C, §§ 44 – 58, and noted herein. See this Office’s [Model Designer Selection Procedures for Municipalities and Other Local Public Agencies](#).

<sup>3</sup> Housing Authorities must follow the procedures established by the Department of Housing and Community Development for the design of state-funded housing. Projects requesting funding from the Massachusetts School Building Authority (MSBA) are subject to MSBA rules.

<sup>4</sup> M.G.L. c. 7C, § 51.

**M.G.L. c. 30B – PROCUREMENT OF SUPPLIES AND SERVICES**

Estimated Contract Amount	Under \$10,000	\$10,000 to \$50,000	Over \$50,000
<b>Procurement Procedure</b>	Sound business practices. <sup>1</sup>	Use a written purchase description to solicit written quotations from no fewer than 3 persons who customarily provide the supply or service. <sup>2</sup>	Sealed bids or proposals (M.G.L. c. 30B, §§ 5 or 6).
<b>Notice/Advertising Requirements</b>	None.	None.	Post a notice 1) in your jurisdiction’s office, and, at least two weeks before bids or proposals are due, publish 2) in a newspaper, and 3) on COMMBUYS.  If the procurement will exceed \$100,000, at least two weeks before bids or proposals are due, publish in the <i>Goods and Services Bulletin</i> .
<b>Award contract to:</b>	Responsible person offering the best price.	Responsible person offering the needed quality of supply or service at the lowest price quotation.	Under § 5, the responsible <sup>3</sup> and responsive <sup>4</sup> bidder offering the best price. Under § 6, the most advantageous proposal from a responsible and responsive proposer taking into consideration price and non-price proposals.
<b>Written Contract Required<sup>5</sup></b>	No. Keep written records as a best practice.	Yes.	Yes.
<b>Maximum Contract Term<sup>6</sup></b>	Three years, unless majority vote authorizes longer.		
<b>OSD Option</b>	Yes.		

<sup>1</sup> M.G.L. c. 30B, § 2, defines sound business practices as “ensuring the receipt of favorable prices by periodically soliciting price lists or quotes.”

<sup>2</sup> M.G.L. c. 30B, § 4, as amended by Chapter 218 of the Acts of 2016.

<sup>3</sup> M.G.L. c. 30B, § 2, defines a responsible bidder or offeror as “a person who has the capability to perform fully the contract requirements, and the integrity and reliability which assures good faith performance.”

<sup>4</sup> M.G.L. c. 30B, § 2, defines a responsive bidder or offeror as “a person who has submitted a bid or proposal which conforms in all respects to the invitation for bids or request for proposals.”

<sup>5</sup> M.G.L. c. 30B, § 17(a), states “All contracts in the amount of \$10,000 or more shall be in writing, and the governmental body shall make no payment for a supply or service rendered prior to the execution of such contract.”

<sup>6</sup> M.G.L. c. 30B, § 12(b), states “Unless authorized by majority vote, a procurement officer shall not award a contract for a term exceeding three years, including any renewal, extension, or option.”

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## APPENDIX F: GLOSSARY OF TERMS

**Abatement.** A complete or partial cancellation of a tax levy imposed by a governmental unit. Administered by the local board of assessors.

**Accounting System.** A system of financial record keeping which record, classify and report information on the financial status and operation of an organization.

**Activity.** A specific line of work carried out by a department, division or cost center which constitute a program.

**Adopted Budget.** The resulting budget that has been approved by the Town Meeting.

**Allocation.** The distribution of available monies, personnel, buildings, and equipment among various Town departments, division or cost centers.

**Annual Budget.** An estimate of expenditures for specific purposes during the fiscal year (July 1-June 30) and the proposed means (estimated revenues) for financing those activities.

**Appropriation.** An authorization by the Town Meeting to make obligations and payments from the treasury for a specific purpose.

**Arbitrage.** Investing funds borrowed at a lower interest cost in investments providing a higher rate of return.

**Assessed Valuation.** A valuation set upon real or personal property by the local board of assessors as a basis for levying taxes.

**Audit.** A study of the Town's accounting system to ensure that financial records are accurate and in compliance with all legal requirements for handling of public funds, including state law and Town charter.

**Balanced Budget.** A budget in which receipts are greater than (or equal to) expenditures. A requirement for all Massachusetts cities and towns.

**Bill Schedule.** Form submitted by each department listing each invoice to be paid. The Bill Schedule includes, the date of the invoice, vendor number, vendor name, invoice number, account to be charged and the amount of each invoice.

**Bond Anticipation Notes.** Notes issued in anticipation of later issuance of bonds, usually payable from the proceeds of the sale of the bonds or renewal notes.

**Budget (Operating).** A plan of financial operation embodying an estimate of proposed expenditures for a given time period and the proposed means of financing.

**Budget Calendar.** The schedule of key dates or milestones which a government follows in the preparation and adoption of the budget.

**Budget Message.** A general discussion of the submitted budget presented in writing by the Town Administrator as part of the budget document.

**Capital Budget.** A plan of proposed outlays for acquiring long-term assets and the means of financing those acquisitions during the current fiscal period.

**Capital Program.** A plan for capital expenditure to be incurred each year over a fixed period of years to meet capital needs arising from the long-term work program. It sets forth each project and specifies the full resources estimated to be available to finance the projected expenditures.

**Charges for Service.** (Also called User Charges or Fees) The charges levied on the users of particular goods or services provided by local government requiring individuals to pay for the private benefits they receive. Such charges reduce the reliance on property tax funding.

**Cherry Sheet.** A form showing all state and county charges and reimbursements to the Town as certified by the state director of accounts. Years ago this document was printed on cherry colored paper, hence the name.

**Cost Center.** The lowest hierarchical level of allocating monies. Often referred to as a program, project or operation.

**Debt Limits.** The general debt limit of a Town consists of normal debt limit, which is two and one half (2 ½) percent (%) of the valuation of taxable property and a double debt limit which is five (5) percent (%) of that valuation. Cities and towns may authorize debt up to the normal limit without state approval. It should be noted that there are certain categories of debt which are exempt from these limits.

**Debt Service.** Payment of interest and repayment of principal to holders of a government's debt instruments.

**Deficit or Budget Deficit.** The excess of budget expenditures over receipts. The Town charter requires a balance budget.

**Department.** A principal, functional and administrative entity created by statute and the Town Manager to carry out specified public services.

**Encumbrance.** Obligations in the form of purchase orders and contracts which are chargeable to an appropriation is reserved. They cease to be encumbrances when paid or when an actual liability is set up.

**Enterprise Fund.** A fund established to account for operations that are financed and operated in a manner similar to private business enterprises. The intent is that the full costs of providing the goods or services be financed primarily through charges and fees thus removing the expenses from the tax rate.

**Expenditures.** The amount of money, cash or checks, actually paid or obligated for payment from the treasury.

**Financing Plan.** The estimate of revenues and their sources that will pay for the service programs outlined in the annual budget.

**Fiscal Year.** The 12 month financial period used by all Massachusetts municipalities which begins July 1, and ends June 30, of the following calendar year. The year is represented by the date on which it ends. Example: July 1, 2018 to June 30, 2019 would be FY 19.

**Free Cash. (Surplus Revenue)** Is a revenue source that results from the calculation, as of July 1, of a community's remaining, unrestricted funds from its operations of the previous fiscal year based on the balance sheet as of June 30. It typically includes actual receipts in excess of revenue estimates and unspent amounts in departmental budget line items for the year just ended, plus unexpended free cash from the previous year. Free cash is offset by property tax receivables and certain deficits, and as a result, can be a negative number.

**Full and Fair Market Valuation.** The requirement, by State Law, that all real and personal property be assessed at 100% of market value for taxation purposes. "Proposition 2 ½" laws set the Town's tax levy limit at two and one half (2 ½) percent (%) of the full market (assessed) value of all taxable property.

**Fund.** A set of interrelated accounts, which record assets and liabilities related to a specific purpose. Also a sum of money available for specified purposes.

**Fund Balance.** The amount remaining when balance sheet stated amount of liabilities including reservations are subtracted from the balance sheet stated amount of assets.

**General Fund.** The major municipality owned fund which is created with Town receipts and which is charged with expenditures payable from such revenues.

**Grant.** A contribution of assets by one governmental unit or other organization to another. Typically, these contributions are made to local governments from the state and federal government. Grants are usually made for specific purposes.

**Interfund Transactions.** Payments from one administrative budget fund to another or from one trust fund to another, which result in the recording of a receipt and an expenditure.

**Intrafund Transactions.** Financial transactions between activities within the same fund. An example would be a budget transfer.

**License and Permit Fees.** The charges related to regulatory activities and privileges granted by government in connection with regulations.

**Line-item Budget.** A format of budgeting which organizes costs by type of expenditure such as supplies, equipment, maintenance or salaries.

**M.G.L.** Massachusetts General Laws

**Non-Tax Revenue.** All revenue coming from non-tax sources including licenses and permits, intergovernmental revenue, charges for service, fines and forfeits and various other miscellaneous revenue.

**OPEB.** (Other Postemployment Benefits) – Employees of state and local governments may be compensated in a variety of forms in exchange for their services. In addition to a salary, many employees earn benefits over their years of service that will not be received until after their employment with the government ends. The most common type of these postemployment benefits is a pension. Postemployment benefits other than pensions generally take the form of health insurance and dental, vision, prescription, or other healthcare benefits provided to eligible retirees, including in some cases their beneficiaries. They may also include some type of life insurance. As a group, these are referred to as OPEB.

**Operating Budget.** See budget (operating)

**Overlay.** The amount raised by the assessors in excess of appropriation and other charges for the purpose of creating a fund to cover abatements and exemptions.

**PERAC.** Public Employee Retirement Administration Commission

**Performance Indicator.** Variables measuring the degree of goal and objective fulfillment achieved by programs.

**Performance Standard.** A statement of the conditions that will exist when a job is well done.

**Planning.** The management function of preparing a set of decisions for action in the future.

**Policy.** A definite course of action adopted after a review of information and directed at the realization of goals.

**Priority.** A value that ranks goals and objectives in order of importance relative to one another.

**Procedure.** A method used in carrying out a policy or plan of action.

**Program.** Collections of work related activities initiated to accomplish a desired end.

**Program Budget.** A budget format which organizes expenditures and revenues around the type of activity or service provided and specifies the extent or scope of service to be provided, stated whenever possible in precise units of measure.

**Proposition 2 ½.** A law which became effective on December 4, 1980. The two (2) main components of the tax law relating to property taxes are: 1) the tax levy cannot exceed two and one half (2 ½) percent (%) of the full and fair cash value, and 2) for cities and towns at or below the above limit, the tax levy cannot exceed the maximum tax levy allowed for the prior by more than two and one half (2 ½) percent (%) (except in cases of property added to the tax rolls and for valuation increases of at least 50% other than as part of a general revaluation).

**Purchase Order.** A document issued to authorize a vendor or vendors to deliver specified merchandise or render a specified service for a stated estimated price. Outstanding purchase orders are called encumbrances.

**Rating Agencies.** This term usually refers to Moody's Investors Service and Standard and Poor's Corporation. These services are the two (2) major agencies which issue credit ratings on municipal bonds.

**Registered Bonds.** Bonds registered on the books of the issuer as to ownership; the transfer of ownership must also be recorded on the books of the issuer. Recent changes in federal tax laws mandate that all municipal bonds be registered if their tax exempt status is to be retained.

**Reserves.** An account used to indicate that portion of fund equity which is legally restricted for a specific purpose or not available for appropriation and subsequent spending.

**Reserve for Contingencies.** A budgetary reserve set aside for emergencies or unforeseen expenditures not otherwise budgeted for.

**Revenue.** Additions to the Town's financial assets (such as taxes and grants) which do not in themselves increase the Town's liabilities or cancel out a previous expenditure. Revenue may also be created by canceling liabilities, provided there is no corresponding decrease in assets or increase in other liabilities.

**Revolving Fund.** A fund established to finance a continuing cycle of operations in which receipts are available for expenditure without further action by the Town Council.

**Service Level.** The extent or scope of the Town's service to be provided in a given

budget year. Whenever possible, service levels should be stated in precise units of measure.

**Stabilization Fund.** A fund designed to accumulate amounts for capital and other future spending purposes, although it may be appropriated for any lawful purpose (MGL Ch. 40 §5B). Communities may establish one or more stabilization funds for different purposes and may appropriate into them in any year an amount not to exceed 10% of the prior year's tax levy. The total of all stabilization fund balances shall not exceed 10% of the community's equalized value, and any interest shall be added to and become a part of the funds. A two-thirds (2/3) vote of town meeting or city council is required to establish, amend the purpose of, or appropriate money into or from the stabilization fund.

**Submitted Budget.** The proposed budget that has been approved by the Town Administrator and forwarded to the Board of Selectmen for their approval. The Selectmen must act upon the submitted budget within prescribed guidelines and limitations according to statute and the Town charter.

**Supplemental Appropriations.** Appropriations made by the Finance Committee after an initial appropriation to cover expenditures beyond original estimates.

**Tailings.** A disbursed but uncashed check from the Town.

**Tax Anticipation Notes.** Notes issued in anticipation of taxes which are retired usually from taxes collected.

**Tax Rate.** The amount of tax stated in terms of a unit of the tax base. Prior to a 1978 amendment to the Massachusetts Constitution, a single tax rate applied to all of the taxable real and personal property in a Town or town. The 1978 amendment allowed the legislature to create three (3) classes of taxable property: 1) residential real property, 2) open space land, and 3) all other (commercial, industrial, and personal property). Within limits, cities and towns are given the option of determining the share of the levy to be borne by the different classes of property. The share borne by residential real property must be at least 65% of the full rate. The share of commercial, industrial, and personal property must not exceed 150% of the full rate. Property may not be classified until the State Department of Revenue has certified that all property has been assessed at its full value.

**Unit Cost.** The cost required to produce a specific product or unit of service. For example, the cost of providing 100 cubic feet of water or the cost to sweep one (1) mile of street.

**Valuation (100%).** Requirement that the assessed valuation must be the same as the market value for all properties.

**Warrant.** An order drawn by a municipal officer directing the treasurer of the

municipality to pay a specified amount to the bearer, either after the current or some future date.

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