

**FINANCIAL POLICY  
MANUAL**

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**TOWN OF MAYNARD,  
MASSACHUSETTS**

**EDWARD J. COLLINS, JR. CENTER FOR PUBLIC MANAGEMENT**

**AUGUST 2020**

- INTRODUCTION ..... 4
- FINANCIAL POLICY REVIEW PROCESS ..... 5
- A. GENERAL BUDGET POLICIES ..... 5
  - A-1 Balanced Budget ..... 5
  - A-2 Revenue and Expenditure Forecast ..... 6
  - A-3 Preparation and Submission of Budget (The Budget Cycle) ..... 6
  - A-4 Position Control/Vacancies ..... 9
  - A-5 Personnel Policies and Labor Contracts ..... 9
- B. ENTERPRISE FUND POLICIES ..... 10
  - B-1 Self Sufficiency and Rates ..... 10
  - B-2 Retained Earnings/Reserves ..... 10
- C. RESERVE FUNDS/FUND BALANCE POLICIES ..... 11
  - C-1 Stabilization Funds ..... 11
  - C-2 General Reserve Fund ..... 12
  - C-3 Overlay Reserve ..... 12
  - C-4 Free Cash ..... 13
- D. CAPITAL IMPROVEMENT PLAN AND POLICIES ..... 14
  - D-1 Capital Improvement Plan Budget ..... 14
  - D-2 Capital Improvement Financing ..... 15
  - D-3 Capital Improvement Planning Process ..... 16
- E. GRANTS MANAGEMENT POLICIES ..... 17
  - E-1 Grant Administration ..... 17
  - E-2 Impact on Operating Budget ..... 18
  - E-3 Impact on Capital Improvement Plan and Debt Management ..... 18
- F. POLICIES REGARDING ESTABLISHMENT AND USE OF FEES ..... 18
  - F-1 Fees and Charges ..... 18
- G. USE OF ONE-TIME REVENUE ..... 19
  - G-1 Use of One Time Revenue ..... 19
- H. UNFUNDED LIABILITIES POLICIES ..... 19
  - H-1 Pensions/Retirement ..... 20
  - H-2 Other Post- Employment Benefits (OPEB) ..... 20
  - H-3 Compensated Absences ..... 21
- I. RISK MANAGEMENT POLICIES ..... 21
  - I-1 Risk Management Program ..... 21
  - I-2 Anti-Fraud Policy and Response Program ..... 22
- J. ACCOUNTING/Treasury/AUDITING/FINANCIAL REPORTING POLICIES ..... 24
  - J-1 Annual Audit ..... 24

J-2 Audit Review ..... 24

J-3 Monthly Reporting ..... 25

J-4 Cash Collections..... 25

J-5 Reconciling Cash and Receivables ..... 26

J-6 Cash Flow Forecasting and Budgeting ..... 28

J-7- Aging Accounts Receivable..... 28

J-8 – Unclaimed Vendor and Payroll Checks (also known as Tailings)..... 28

K. PROCUREMENT AND PURCHASING POLICIES ..... 29

    K-1 Procurement and Purchasing Policy ..... 29

L. INVESTMENT POLICIES ..... 30

    L-1 Investment Policy ..... 30

    L-2 Post-Issuance Tax Compliance Procedure for Tax-Exempt Debt Obligations and Other Tax-Benefited Obligations  
        ..... 30

APPENDIX ..... 32

## INTRODUCTION

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In order to ensure the growing and continued financial health of the Town of Maynard, provide the public with confidence that Town officials seriously respect their responsibility for fiscal stewardship and demonstrate to bond rating agencies that the Town has thoughtfully prepared for its future, the financial policies outlined below shall guide the Town.

### Objectives:

#### ***The objectives of the Financial Management Policies are as follows:***

- A. To guide the Board of Selectmen, Finance Committee, and management staff in evaluating and implementing decisions that have significant impact on the Town.*
- B. To set forth planning and operating principles which require that the cost of government be clearly identified and that financial risk be minimized.*
- C. To employ balanced and fair fee and user revenue policies that provide funding for required and needed programs.*
- D. To regularly evaluate the Town's future needs, financial capacity,*
- E. To promote credible and sound financial management by providing accurate and timely information on financial condition to elected officials, staff, the public, and external interests.*
- F. To ensure that current and future capital needs are addressed in a comprehensive and financially-sound manner.*
- G. To promote improvement in the Town's creditworthiness and to minimize the Town's obligations on all municipal debt and other long-term obligations.*
- H. To establish an effective system of internal controls that ensures the legal use of financial resources.*
- I. To promote cooperation and coordination with other governments and the private sector in the financing and delivery of services.*
- J. To ensure cash solvency, budgetary solvency, and service level solvency.*

## **FINANCIAL POLICY REVIEW PROCESS**

### **Background:**

The financial condition of a community may suddenly change, either strengthened or weakened, due to a number of circumstances including: a catastrophe, weather conditions, a change in the national economy, or a significant change in the certified valuation. Such changes may make it difficult to respond while continuing to follow the existing financial policies. To adjust to these occurrences, a community must be able to review current policies and adjust the policies to the new conditions.

### **Policy:**

The Town shall review financial policies every five years. In the event that the Town Administrator recommends that a policy review take place earlier than five years, the Town Administrator shall reconvene the Financial Policy Review Working Group, including members or designees of the Board of Selectmen, Finance Committee, and Capital Planning Committee, and Town staff. The Financial Policy Working Group shall meet to review, add, delete policies, or edit existing policies.

## **A. GENERAL BUDGET POLICIES**

### **A-1 Balanced Budget**

#### **Background:**

All Massachusetts municipalities are required by state law to prepare balanced annual budgets.

The Government Finance Officers Association (GFOA) notes that a true structurally balanced budget is one that supports financial sustainability for multiple years into the future.

#### **Policy:**

The Town will not balance the budget by using one-time or other nonrecurring revenues to fund ongoing expenditures. The Town will not use budgetary procedures that balance the budget at the expense of future years, such as postponing or deferring payment of expenses already incurred, accruing future year revenues, or rolling over short-term debt to defer making principal payments.

The Town budget shall also support a financially-sound operating position by maintaining reserves for emergencies and providing sufficient liquidity to pay bills on time and avoid revenue anticipation borrowing. (See also, Section H. Unfunded Liabilities Policies.)

#### **References:**

M.G.L. c.44, §31

*Achieving a Structurally Balanced Budget*, Government Finance Officers Association Best Practice, February 2012

## **A-2 Revenue and Expenditure Forecast**

### **Background:**

A critical step in maintaining a sound financial plan is the preparation of a multi-year revenue/expenditure forecasts. Long-term financial planning, including revenue and expenditure assumptions, is one of the local government financial practices that credit rating agencies evaluate when assessing municipalities for credit quality.

The Massachusetts Division of Local Services (DLS) states that a financial forecast, or multi-year revenue and expenditure forecast, allows a municipality to evaluate the impact of various government decisions over time.

A forecast will provide decision-makers with an indication of the long-term fiscal impact of current policies and budget decisions, and will allow Town staff, the Finance Committee, and what-if scenarios and examine the fiscal impact on future budgets.

### **Policy:**

Each year the Town shall prepare and maintain a five-year Financial Forecast for General Fund and Enterprise Fund operations based on current service levels and current funding sources and including the five-year Capital Improvement Plan. The forecast shall include 3 to 5 years of historic data for trend analysis purposes.

The forecast shall be used as a budget tool to enable Town officials to review operating needs, identify fiscal challenges and opportunities, and develop long-term budgeting policies as part of an overall strategic plan. The forecast shall be designed to provide an outlook on the implications of changes in revenues and expenditures and allow for analyzing multiple scenarios. The forecast will provide insight into whether the current mix and level of resources in the General Fund are likely to continue to be sufficient to cover current service levels and capital projects.

### **Procedure:**

The Town Administrator, in cooperation with other Town finance departments, will review fiscal assumptions every year when the forecast is updated and will input data that is timely and accurate in preparation of the forecast. The forecast and the associated assumptions shall be made available to the Board of Selectmen, the Finance Committee, and the Capital Planning Committee in December.

### **References:**

*Revenue and Expenditure Forecasting*, MA DOR Division of Local Services Best Practice.

*Financial Forecasting in the Budget Preparation Process*, Government Finance Officers Association Best Practice, February 2014.

*Financial Management Assessment*, Standard and Poor's, June 2006.

## **A-3 Preparation and Submission of Budget (The Budget Cycle)**

### **Policy:**

The annual budget process (or cycle) has an established timeline, in sequential order, including a Five-Year Capital Improvement Plan, a Five-Year Revenue and Expenditure Forecast, and an Annual Financial Plan.

On or before the first Tuesday in September, the Town Administrator will request that Department Heads begin to develop requests for capital improvements. Capital project proposals, complete with descriptions, cost, source of funding and timetable for completion, shall be submitted to the Town Administrator on or before October 1. The Town Administrator shall develop a capital recommendation and submit it to the Capital Planning Committee on or before November 1.

On or before November 1, the Town Administrator shall receive revenue estimates from Town Departments and Agencies. The Town Administrator shall also request each town department and agency to begin developing budget requests for the coming fiscal year.

Each year the Town Administrator and the five-year Financial Forecast Committee shall prepare a five-year forecast for General Fund, Enterprise Funds, and Capital Improvement Plan based upon current service levels and current funding sources. The forecast shall include estimates of proposed capital projects supported by debt service. The forecast should show the impact on the Financial Plan if the debt were either excluded or not excluded from the annual levy. The forecast shall be presented to the policymaking boards and committees (i.e. Board of Selectmen, Finance Committee, School Committee, and Capital Planning Committee), no later than November 15. The Town Administrator shall continue to update the initial forecast throughout the remainder of the budget preparation and submission process and advise the policymaking committees of any significant changes from the initial forecast.

A Budget Sub-Committee, appointed and comprised of two members each of the Board of Selectmen, Finance Committee, School Committee and Capital Planning Committee, and chaired by an appointed member of the Board of Selectmen, shall meet to review projected budget. The Sub-Committee shall review the annual Five-Year Revenue and Expenditure Forecast. This review will place an emphasis on the most significant areas of the budget, collective bargaining, health insurance, State aid, and School Department requirements. The Sub-Committee shall provide input to the Board of Selectmen prior to budget guidelines being issued by the Board.

On or before November 15, the Board of Selectmen, after consultation with the Town Administrator and the Budget Sub-Committee, shall issue budget guidelines relating to the budget for the next fiscal year. The guidelines shall establish the outer limits of possible budget growth for the Town to be used by various Town agencies, officers and committees in the preparation of the operating budgets for the ensuing year. The Town Administrator shall send the budget guidelines statement to every town agency, officer, and committee charged with the expenditure of Town funds.

All Departments, including those that are elected or appointed by other committees (i.e. School, Planning, Library, Parks and Recreation, Assessing, Cemetery and Health), shall submit the annual budget requests to the Town Administrator no later than January 1 of each year. All requests shall be structured to follow the budget guidelines developed by the Board of Selectmen.

On January 1 or before, the Capital Planning Committee shall submit the Long-Range Capital Plan to the Board of Selectmen and Finance Committee.

The Town Administrator will coordinate, review, prepare, and submit a balanced annual budget proposal to the Board of Selectmen no later than the January 20<sup>th</sup> of each year. The Town Administrator shall include all activities of the government (General Fund, Special Revenue Funds, Enterprise Funds, Capital Budget, and budgets administered by other elected or appointed Town committees). The Town Administrator shall provide written documentation of budget assumptions and shall include a five-year history of Free Cash certification, stabilization fund balance, and overlay surplus. The Town Administrator shall also indicate any major differences from the current fiscal year in revenues and expenditures, together with reasons for such changes and include such other material as the Board of Selectmen deem necessary.

The Board of Selectmen and the Finance Committee shall hold a Joint Budget Review meeting, including both operating and capital budgets, on or before February 15 of each year.

The Board of Selectmen shall adopt a Capital Improvement Plan for the next fiscal year, no later than the second Saturday in March.

The Board of Selectmen will review the Town Administrator's proposal of the Annual Budget to the Town Meeting, no later than the second Saturday in April 1 of each year.

The Board of Selectmen, School Committee, and Finance Committee will make every effort to reconcile any differences that may exist between their recommendations. The Board of Selectmen, per the Town By-Law, shall present its recommended Annual Budget to the Town Meeting. The Board of Selectmen's budget financial plan of all general and enterprise funds and activities for the ensuing fiscal year, an accompanying budget message, and supporting documents. The budget message from the Board of Selectmen shall explain the proposed budget for all Town agencies in fiscal terms and in terms of work programs. It shall outline the proposed financial policies for the Town for the ensuing fiscal year, describe the important features of the budget, indicate any major differences from the current fiscal year in financial policies, expenditures, and revenues, together with the reason(s) for such changes, summarize the Town's debt position, and include such other material as the Board deems desirable or the Finance Committee and Town Meeting may reasonably require.

The Finance Committee, representing the Town Meeting, shall hold at least one public hearing to discuss both operating and capital budget proposals.

In the event that the Finance Committee or School Committee to amend" the Board of Selectmen's warrant articles, budget proposals, Town Meeting minutes, and amendments and adopt balanced budgets in which current revenues (non-one-time) equal or exceed current expenditures. Expenditures shall be realistically budgeted and estimated revenues shall be conservatively budgeted to allow for unanticipated events. The Town shall present said estimates and assumptions behind revenue estimates along with the balanced budget.

The Town Administrator, with support from the Finance Committee, shall work toward the implementation of a budget document that meets the high standards of the Governor's Presentation Award Program. "

The Annual Financial Plan will adhere to the Principles of Budgeting:

**Comprehensiveness** – Requires that the budget embrace all of the activities of the government;

**Exclusiveness** – Means that the budget should deal with only financial matters and not with substantive legislation;

**Unity** – Requires the budget to be presented in gross terms, including all revenues and expenditures;

**Specification** – Requires that expenditures be made only for the purpose for which it was appropriated;

**Annuality** – Requires that budgets be presented each year, and that they cover only one fiscal year;

**Accuracy** – Means that the revenues and expenditures should be correctly, although conservatively, estimated;

**Clarity** – Means that the budget proposal must be understandable to all who may read it;



**Publicity** – Means that the budget document must be offered for public consumption, to maximize the understanding of the proposal and the participation in the public authorization process.

The Government Finance Officers Association considers it of the greatest importance for an explanation to be included as a part of the legislative discussion, explaining the key issues of importance included in the document. It is equally important to distribute this information to the general public to give them a greater understanding of the issues confronting the community.

#### **A-4 Position Control/Vacancies**

##### **Background:**

The largest segment of a town's budget is its personnel. Poor personnel management can lead to errors in budgeting, over- or under-staffing, incorrect grading, and other personnel costs.

##### **Policy:**

The Town shall maintain a personnel system that accurately tracks authorized, filled, and unfilled positions as well as their funding source. Annual budgets shall be prepared that account for all the costs necessary to cover positions that the Town intends to have during that budget period. The School district will maintain its own personnel system.

#### **A-5 Personnel Policies and Labor Contracts**

##### **Background:**

For the purposes of these policies, the following definitions shall apply:

- Personnel Policies are the documents that represent the conditions of employment, wages, benefits, hiring, promotions, classifications, and many other categories of employer/employee relations. Collective bargaining agreements, as well as state laws and regulations, take precedence over the terms included in the Personnel Policies.
- Classification Plans are the schedules that identify employees by job category, job title, and union/non-union status on a typical grade structure. Pay Plans are the wage schedules that specify pay rates, typically on an annual step or merit system, for each union and non-union position.
- Memorandums of Agreement (MOAs) are the documents that represent agreement between a municipality and the various labor unions. They are created when a municipality and the respective union have reached agreement for a contract period about wages and working conditions.
- Collective Bargaining Agreements (CBAs) are the documents that incorporate the negotiated changes and represent the total agreement that exists between a municipality and a union/association.
- Side Letters are documents that represent a short-term agreement between a municipality and a union/association.

##### **Policy:**

Pay plans and pay rates shall be monitored by the Town Administrator, or designee, to ensure accuracy and compliance with labor contracts and personnel policies. Contract proposals and agreements will be fully costed out to understand the short- and long-term impact on Town finances. In order to foster transparency in the provision of employment agreements and benefits, the Town will prepare and maintain documents that are publicly available including personnel policies, pay

plans, classification plans, memoranda of agreement, collective bargaining agreements, and side letters. The School district will maintain its own personnel system.

## **B. ENTERPRISE FUND POLICIES**

### **B-1 Self Sufficiency and Rates**

#### **Background:**

Enterprise Funds provide a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods and services. Under enterprise accounting, the revenues and expenditures of the service are segregated into a separate fund with its own financial statements, rather than commingled with revenues and expenditures of all other government activities. Enterprise accounting allows a community to demonstrate to the public the total cost of providing a particular service.

#### **Policy:**

Town Enterprise Funds shall be fully supported by the revenue from their rates, fees, and other revenue-generating operations. The methodology for calculating indirect costs shall be explicitly documented and agreed upon by Town Finance and Enterprise Department heads and incorporated in the budget documents submitted for review and approval by the Town.

Rates and fees for enterprise services shall be set at a level to provide for self-supporting enterprise operations, including direct and indirect costs. Rates shall be adjusted annually as appropriation levels change. Capital projects shall be financed from enterprise revenues and grants.

Each Enterprise Fund shall be reviewed annually by the responsible board, commission, or department head to project revenues and expenditures for the next fiscal year and generate estimates of the current fiscal year and the projections for future years in order to prevent the need for subsidy by the General Fund operating budget. Estimates of capital project costs, debt service, and other liabilities shall be included in this analysis in order to project future enterprise fund budgets and revenues necessary to maintain self-sufficiency.

Changes in the rates and/or rate structure shall be carefully analyzed prior to recommendation and implementation in order to ascertain the short- and long-term impact on ratepayers. The Board of Selectmen may elect to recommend in writing a waiver of self-sufficiency and rate policies in order to provide a subsidy or loan from the General Fund to the Enterprise Fund in order to meet other policy goals of the Town.

#### **References:**

MGL, Chap 44, Sec 53F1/2

Enterprise Funds, MA DOR Division of Local Services Best Practice

### **B-2 Retained Earnings/Reserves**

Enterprise Funds shall maintain a reserve account to accomplish two major objectives: 1) provide rate stabilization in the event of a sudden drop in revenues and/or a sudden increase in expenditures; and 2) provide funds for major future capital projects. The amount of the reserves shall be at a minimum of 20% of the total enterprise fund budget, but may be significantly higher if significant infrastructure improvements are necessary.

## C. RESERVE FUNDS/FUND BALANCE POLICIES

### Background:

A municipality's fiscal policies should include a plan for maintaining reserves. Operating reserves (or fund balance) are a prudent fiscal management tool and an important factor in the analysis of financial flexibility. The Town will maintain a level of reserves that protects the Town from emergency conditions that may require financial flexibility, contributes to sufficient liquidity to pay all Town expenses without short-term borrowing, and maintains or improves the credit rating that the Town currently holds. To provide for a adequate the long-term, the Town has adopted the following financial reserves policy statements:

### C-1 Stabilization Funds

#### Background:

A stabilization fund is designed to accumulate amounts for capital and other future spending purposes, although it may be appropriated for any lawful purpose.

Under State law, a municipality may establish one or more stabilization funds for different purposes and may appropriate into them in any year an amount. Generally, a majority vote of Town Meeting is required to establish, amend the purpose of, or appropriate money into a stabilization fund, and a two-thirds majority is required to appropriate money from a stabilization fund. Any interest generated by a fund must be added to and become a part of the fund. The total of all stabilization funds

#### C-1a General Stabilization Policy:

The Town's primary vehicle for reserve. A General Stabilization Fund is a mechanism for setting aside money, either for emergency and unforeseen situations, according to the Massachusetts Division of Local Services. Such a fund is intended to equalize the effect of fluctuations in elastic revenues over time and to provide a "rainy day" fund.

#### Policy:

The Town shall phase up to and then maintain a General operating budget for the purpose of extraordinary or unforeseen expenditures. The Town will endeavor to leave this balance unspent, except in the event of an emergency or extraordinary or unforeseen events. If it is necessary to draw down from the General Stabilization Fund, the Town will ensure that it is restored through the appropriation of revenues such as Free Cash and/or one-time revenues. Withdrawals from the General Stabilization Fund for operating expenses will not occur except under one or more of the following circumstances:

- The Governor utilizes executive authority to reduce budget line items for local aid (also known as 9C cuts) by 10% or more;
- State budget appropriations for local aid is reduced by 15% or more from the prior fiscal year;
- A catastrophic act occurs which requires the use of one-time revenues.

Language restricting withdrawals from the General Stabilization Fund can be waived upon written request of the Town Administrator followed by a majority vote of the Board of Selectmen.

In accordance with Massachusetts General Law, withdrawals from the General Stabilization Fund will only be made by a two-thirds vote of Town Meeting.

**C-1b Capital Stabilization Policy:**

The Town shall maintain a special purpose Capital Stabilization Fund that shall serve as a fund for Capital Improvement Plan. It is the goal of the Town to have a "pay-as-you-go" approach to capital spending. The goal is to have all capital spending funded through grants, to be funded from the Capital Stabilization Fund. Upon meeting the policies for undesignated fund balance and the General Stabilization Fund, the remaining Certified Free Cash may be appropriated into the Capital Stabilization Fund.

**Policy:**

The Capital Stabilization Funds shall be used for the same purposes as the General Stabilization Fund.

**References:**

M.G.L. c. 40 §5B

*Special Purpose Stabilization Funds, MA DOR Division of Local Services Best Practice.*

**C-2 General Reserve Fund**

The General Reserve Fund is appropriated each year to support any emergency and unforeseen occurrences. The funds can be accessed by a vote of the Board of Selectmen requesting that the Finance Committee authorize the expenditure. Each vote requires a simple majority of the policy board.

**Policy:**

The Town shall phase up the annual appropriation of the General Reserve fund to the amount of 1.0% of General Fund revenues by FY2023.

**C-3 Overlay Reserve**

The Overlay Reserve is determined in any year by the Board of Assessors. The appropriation is not required to be approved by Town Meeting. The purpose of this fund is to support the reduction of the annual property tax levy due to abatements, exemptions receivables, and interest due. The Overlay Reserve for each fiscal year is consolidated into one fund.

**Policy:**

Although the Board of Assessors is an autonomous independent board, it is part of an overall effort to use sound financial practices. As such, the Board of Selectmen may ask the Board of Assessors that the balance of the Overlay Reserve be no more than the estimated cost of outstanding abatement applications and annual exemptions. The Selectmen may request that any funds over the estimated cost of outstanding abatements, annual exemptions, receivables and interest due be released to Overlay Surplus by the end of each fiscal year. The decision, however, is that of the Board of Assessors. For the purpose of developing an annual financial plan, the Town will assume, with advice from the Chief Assessor, that an Overlay Reserve shall be equal to 1.0% of the annual levy.

**References:**

## **C-4 Free Cash**

### **Background:**

Free Cash is the amount of the community's funds generated when actual revenue collections are more than budget estimates, and when expenditures and encumbrances are less than appropriations, or both. It may be appropriated after certification by the Massachusetts Department of Revenue after the close of each fiscal year. Appropriation requires a simple majority vote by town meeting. Free Cash is not a fund and interest does not accrue to the balance.

Free Cash provides a financial cushion against events such as a sudden loss of a revenue source, an economic downturn, an emergency, or other unanticipated expenditure, non-recurring capital expenditures, and uneven cash flow. Free Cash can serve as a source for funding capital funds or replenish other reserves.

GFOA notes it is essential that governments maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures).

The Massachusetts Department of Revenue suggests that a municipality strive to generate Free Cash in an amount equal to 3-to-5% of its annual budget

### **Policy:**

The Town of Maynard shall not utilize Free Cash to fund the operating budget.

Annually, once Free Cash is certified, the Town will allocate these funds strategically, in order to strengthen the financial condition of the community. Upon providing funding for by a set percentage. The uses of Free Cash are as follows:

- The first distribution shall be made to the Town's undesignated fund balance. The Town shall 10% of the prior year's operating budget shall be based upon recurring revenue that is made up of property taxes (less debt or capital exclusions), state aid, local receipts, and other revenue (excluding Free Cash). The Town shall phase up to this targeted percentage for its General Stabilization Fund, over a period of ten years. The percentage target the appropriate level of liquidity which a community would need to assure a strong bond rating. To reach its liquidity target, the Town shall annually distribute Certified Free Cash to the General Stabilization Fund or leave some amount as unappropriated within the General Fund balance. Once the liquidity target amount has been achieved, the Town shall first distribute the annual Certified Free Cash to the General Stabilization Fund in the amount that maintains its target liquidity level;
- The next distribution shall be made to the Town's Capital Stabilization Fund. All pay-as-you-go capital expenditures shall be made from the Capital Stabilization Fund. Prior to the Town reaching its liquidity target level, 30% of the annual Certified Free Cash shall be appropriated to the Capital Stabilization Fund. Once the General Stabilization liquidity target has been reached, and annually maintained, 70% of the remaining annual Certified Free Cash shall be appropriated to the Capital Stabilization Fund.;

- Prior to reaching the liquidity target, 10% of the remaining Free Cash will be distributed to both OPEB and other reserve funds. Upon reaching the liquidity target, any remaining portion of the annual Certified Free Cash may be distributed to the OPEB Trust Fund (15%), and the remaining amount (15%) shall be available for other priorities authorized by the Board of Selectmen, including tax levy reduction, funding of operating expenses previously needed to be reduced to accommodate capital funding, and/or other strategic reserves, as determined by the Board of Selectmen.

**References:**

*Free Cash*, MA DOR Division of Local Services Best Practice.

*Appropriate Level of Unrestricted Fund Balance in the General Fund*, Government Finance Officers Association Best Practice, September 2015.

*Reserve Policies*, MA DOR Division of Local Services Best Practice.

**D. CAPITAL IMPROVEMENT PLAN AND POLICIES**

**Background:**

Planning, budgeting, and financing for the replacement, repair, and acquisition of capital assets is a critical component of any municipality's budget and operation. Prudent planning and provide quality public services in a financially-sound manner. It is recognized that a balance must be maintained between operating and capital budgets so as to meet the needs of both to the maximum extent possible. A Capital Improvement Program (CIP) is the mechanism that a municipality uses to identify projects, prioritize funding, and create a long-term financial plan that can be achieved within the limitations of the budget environment.

Long-term capital planning is one of the local government financial practices that credit rating agencies evaluate when assessing municipalities for credit quality.

**References:**

*Financial Management Assessment*, Standard and Poor's, June 2006.

**D-1 Capital Improvement Plan Budget**

**Policy:**

The Town's Capital Improvement Budget Plan shall include recommendations as to the source of funding for each project. In order to assure clarity and transparency, capital expenditures and operating budget expenditures shall be budgeted separately by each department head. Funding for approved capital projects shall be available as of July 1 of each year.

A capital item is defined as a construction, reconstruction, rehabilitation, purchase of a building, purchase of land, or purchase of equipment. In order to qualify as a capital project, the capital expenditure must have a useful life of five years or more and must exceed \$10,000 in cost.

The Town policymakers shall establish a target percentage of the prior year "Net Revenue" to support pay-as-you-go capital expenditures. The current capital commitment is approximately 1% of the annual net revenue. The Town shall strive to phase this percentage up to 2.5% over the next ten years. All cash purchases or projects are to be funded from the Capital Stabilization Fund. All general fund non-excluded debt service shall be funded out of the operating budget. All debt shall be deposited in the Capital Stabilization Fund.

**D-2 Capital Improvement Financing**

**Background:**

For the purpose of these policies, the following definitions shall apply:

- Prior Year Net Revenue - Gross general fund revenues, less debt exclusions and available funds (e.g., Free Cash, stabilization, Community Preservation, ambulance fees, and overlay surplus).
- Net Capital Investment - Gross costs from local debt, less Proposition 2 ½ debt exclusion amounts, plus the cost of capital leases, direct capital expenditures funded from Capital Stabilization Fund and the general fund, and other local amounts approved as part of the capital budget.
- Capital Investment as a Percent of Prior Year Operating Budget – The Net Capital Investment divided by the Prior Year Net Revenue. These Funds shall support all non-excluded debt and pay-as-you-go capital appropriations. Unexpended funds shall be transferred to the Capital Stabilization Fund prior to fiscal year end.

**Policy:**

The Town Capital Improvement Plan shall be prepared and financed in accordance with the following policies:

- Outside Funding – State, federal, and/or private grant funding shall be pursued and used to finance the capital budget wherever possible.
- Net Capital Investment as a percentage of Prior Year Operating Budget – The annual Net Capital Investment target shall be phased up to a level of 2.5% of Prior Year Net Revenue over a period of ten years.
- Local Funding -The first source of capital investment shall be the Capital Stabilization Fund. Even when a significant balance exists in this account, the Town will be cautious about the amount of borrowing to be done supported from the Capital Stabilization Fund, as this is a pay-as-you-go program. Modest amounts from the Capital Stabilization Fund or other reserves such as Free Cash above target levels to fund pay-as-you go capital needs. In the event that annual deposits into the Capital Stabilization Fund change significantly, the Town will revisit this capital funding policy.
- Debt-Financing/Borrowing -
  - The term of borrowing for a capital project shall not exceed its estimated useful life and shall be in accordance with applicable Massachusetts General Laws.
  - The Town will attempt to maintain a long-term debt schedule such that at least 50% of its outstanding principal will be paid within 10 years.
  - The Town will strive to issue level principal debt such that debt service will decline over the term of the issue as another means to mitigate risk regarding this funding source.

- For any capital item of \$100,000 or less potentially funded by debt, the true cost of borrowing, including but not limited to debt service, legal services, and staff time shall be determined and made public prior to debt authorization.
- The impact of level debt service versus level principal debt (also known as declining debt) on total project cost and on the Town's operating budget shall be analyzed

### **D-3 Capital Improvement Planning Process**

#### **Background:**

Section 6-7 of the Town's Charter Town's capital policy below provides additional detail for participants in the planning process.

#### **Policy D-3a:**

The Town Administrator shall be responsible for requesting departments and Town Boards to submit their annual and long-term capital proposals to the executive office on or before the first October 1. After discussion and review of all proposals, the Town Administrator shall assemble and submit recommendations to the Capital Planning Committee along with recommendations on available funding and source on or before November 1.

The Capital Planning Committee shall submit its recommendations for capital funding to the Board of Selectmen and Finance Committee on or before January 1. The Board of Selectmen and Finance Committee shall discuss and review all qualified capital proposals with the departments and Boards who have submitted the proposal and make recommendations for funding approval at the next annual town meeting. The Capital Planning Committee shall develop a long-term capital plan and submit it to the Town Administrator, Board of Selectmen, and Finance Committee for review.

Additional policies are identified below:

- The Town Administrator shall coordinate development of the capital improvement budget.
- Future operating costs associated with new capital improvement will be projected and included in operating budget forecasts, as appropriate.
- Federal, state, and/or private grants or loans shall be used to finance only those capital improvements that are consistent with the Town's Capital Improvement Plan. Costs have been included in operating budget forecasts.
- All assets shall be maintained at a level adequate to protect the Town's capital investment and to minimize future maintenance and replacement costs.
- Equipment replacement and building repair needs shall be projected for the next five years and will be updated each year. From this projection, a maintenance and replacement schedule will be developed and followed.
- Capital projects shall be prioritized based upon criteria established by the Town.
- The estimated costs and potential funding sources for each proposed capital project shall be determined before the Town Administrator's recommendations are submitted to the Capital Planning Committee.



- Except as required by an emergency, all approved capital projects must be part of the annual adopted Capital Improvement Plan as required by the Town Bylaw.

**Policy D-3b:**

To meet the annual policy deadline, the calendar for development of the Capital Improvement Plan is as follows:

- The Town Administrator shall provide directions and capital improvement request forms to officers, boards, commissions, committees, department heads, and other involved staff on or about September 1 of each year;
- Department heads and other involved staff shall return request forms to the Town Administrator on or about October 1 of each year;
- The Town Administrator shall meet with department heads and other involved regarding their capital budget, develop a capital budget recommendation as needed. The Town Administrator shall submit all qualified capital requests and his recommendation to the Capital Planning Committee no later than November 1 of each year;
- The Capital Planning Committee shall submit its capital recommendations for the next fiscal year, along with a Long-Range Capital Improvement Plan to the Board of Selectmen and Finance Committee on or before January 2;
- The Board of Selectmen and Finance Committee shall hold a Joint Budget Review meeting on or before February 15 of each year;
- The Board of Selectmen, Finance Committee, and Capital Planning Committee shall meet to discuss any differences for capital recommendations no later than April 15 of each year;
- The Board of Selectmen shall submit the annual capital budget to Annual Town Meeting. The Finance Committee and Capital Planning Committee may provide support or alternative proposals to the Finance Committee recommendations at Town Meeting.

**References:**

Town of Maynard Charter Section 6-7

**E. GRANTS MANAGEMENT POLICIES**

**Background:**

DLS recommends analyzing current and future impact of grants on the operating budget, capital improvement plan, and debt management.

The GFOA recommends that governments establish processes to promote awareness throughout the government that grants normally come with significant requirements.

**E-1 Grant Administration**

**Policy:**

The Town shall consistently seek to maximize the benefits of grants while minimizing their risks. Prior to acceptance of a grant award, the Town shall consider any specialized requirement(s) that apply to the general operations of the grant, specific compliance rules, monitoring of other parties (e.g., sub-grantees) that may receive resources from the grant, specialized reporting requirements, and any long-term commitments required by the grant, such as the requirement - either as a condition of the grant itself or politically - to financially maintain a program or asset after the expiration of the

grant, among other considerations. The Town shall ensure that it appropriately administers grants after their acceptance, as inappropriate administration can result in the failure to meet all grant requirements, potentially resulting in the need to return some or all of the resources to the provider.

### **E-2 Impact on Operating Budget**

#### **Policy:**

When positions are funded by grants, the current and future impact on the operating budget shall be analyzed. When allowable, the cost for providing benefits, such as health insurance, should be included in the grant budget to cover the Town's cost for providing that benefit.

In all cases where some costs are not covered (e.g., personnel-related benefit costs or indirect costs), those costs should be clearly disclosed prior to the determination to accept the grant. With such disclosure, a proposed plan to cover such unreimbursed costs shall also be presented at the same time for concurrent approval.

### **E-3 Impact on Capital Improvement Plan and Debt Management**

#### **Policy:**

When grants are accepted for capital purposes, the Town shall include in its capital improvement plan any share of costs associated with the grant and project the Town's share or decrease in operating costs associated with the grant.

#### **References:**

*Administering Grants Effectively*, Government Finance Officers Association Best Practice, May 2013.

## **F. POLICIES REGARDING ESTABLISHMENT AND USE OF FEES**

### **F-1 Fees and Charges**

#### **Background:**

The Government Finance Officers Association recommends that when certain services provided especially benefit a particular group, governments should consider charges and fees on the users of the service. Well-designed charges and fees not only reduce the need for additional revenue sources, but promote service efficiency. Regular and consistent review of all fees is necessary to ensure the costs associated with the delivery of specific services have been appropriately identified and that a municipality is collecting reasonable charges.

The Division of Local Services recommends communities adopt written policies for setting charges and fees. A policy should identify what factors are to be taken into account when pricing services. It should also state whether the community intends to recover the full cost of providing the service or benefit and under what circumstances a charge or fee is set at less than full recovery (e.g., debt exclusion or another subsidy). Such a policy and the fee structure should be reviewed periodically to ensure they remain current, and both should be communicated with the public clearly and openly.

#### **Policy:**

Town fees and charges shall be reviewed periodically in relation to the cost of providing the service. The Town will compare rates with nearby communities to determine if the fees established are competitive. The Town may decide against full cost recovery where greater public benefit is demonstrated. Exceptions to full recovery costs include cases where: the fee maximums are established by the General Laws of Massachusetts (MGL) or where a policy decision has been made otherwise.

In such cases when fees do not cover costs, the Town may explore other options for the delivery of the services.

**References:**

M.G.L. c.140

Emerson College v. Boston, 391 Mass. 415 (1984).

*Costing Municipal Services: Workbook and Case Study*, MA D O R D i v i s i o n o f L o c a l S e r v

*Establishing Government Charges and Fees*, Government Finance Officers Association Best Practice, February 2014

Division of Local Services, A Guide to Financial Management for Town Officials, p. 20-21.

## **G. USE OF ONE-TIME REVENUE**

### **G-1 Use of One Time Revenue**

**Background:**

The Government Finance Officers Association recommends that communities develop guidance on the use of one-time revenues to minimize services disruptions due to the non-recurrence of these sources.

The Division of Local Services states that funding operations with one-time revenues, without identifying future available offsets, effectively postpones difficult decisions necessary to achieve a structurally-sound, sustainable spending plan. One-time revenue is usually defined as non-recurring revenue.

In addition, caution should be taken with inconsistent revenue, the amount of which fluctuates from year to year.

For the purpose of this policy, highly volatile revenues shall be defined as those revenues that are not assured and in fact show a trend that within the most recent 5 years there has been at least one fiscal year of no funding.

**Policy:**

The Town shall reduce its use of one-time and highly volatile revenues each year until it ceases using one-time or highly volatile revenue sources for recurring costs in the annual Town operating budget. One-time and highly volatile revenues shall be appropriated to reserve funds, used to fund one-time budget or capital costs, and/or address unfunded liabilities.

## **H. UNFUNDED LIABILITIES POLICIES**

**Background:**

Defined as “the actuarial calculation of the funded at a given e o balance date,” unfunded liabilities represent a significant country. In Maynard and other Massachusetts municipalities, the two primary unfunded liabilities are for Pensions and Other Post-Employment Benefits (OPEB).

## **H-1 Pensions/Retirement**

### **Background:**

The Contributory Retirement System is a defined benefit program that is governed by Massachusetts General Laws, Ch.32 and is regulated by the Public Employee Retirement Administration Commission (PERAC), a state entity responsible for the oversight, guidance, monitoring, and regulation of Massachusetts' 105 public pension systems. Funding for this system covers the costs of employees who are part of the Town's retirement system, which does not include teachers, as their pensions are funded by the State. The Town has its own independent and autonomous retirement system. Pursuant to current State law, the Maynard Retirement System has established, as of December 31, 2018, a funding schedule to fully-fund this liability by 2036.

### **Policy:**

In accordance with State law, PERAC regulations, and government accounting standards, the Town shall continue to fund this liability in the most fiscally-prudent manner, recognizing the fact that the adoption of a funding schedule is, by law, the responsibility of the Maynard Retirement Board.

### **References:**

M.G.L. c.32

## **H-2 Other Post- Employment Benefits (OPEB)**

### **Background:**

OPEB consists primarily of the costs associated with providing health insurance for retirees and their spouses. The Government Accounting Standards Board (GASB) issued Statements No. 74 and No. 75 to address the OPEB issue. These policies replaced GASB 43 and GASB 45. The GASB policies require the accrual of liabilities of OPEB generally over the working career of plan members rather than the recognition of pay-as-you-go contributions, while requiring the accrual of the OPEB expense over the same period of time. The reporting requirements include disclosures and schedules providing actuarially-determined values related to the funded status of OPEB. This requires that the accrued liabilities be determined by a qualified actuary using acceptable actuarial methods.

### **Policy: H-2a**

While there is currently no legal requirement to fund OPEB, the Town recognizes the importance and financial advantage of initiating early and regular funding for these long-term obligations.

In order to determine the funding schedule, the Town shall continue its current practice of having an independent actuary prepare biennial valuations, investment. Careful consideration shall be given to identifying the investment vehicle that offers the best rate of return in the safest possible environment based upon the Prudent Investor Standard.

**Policy H-2b:**

The Town shall continue to contribute to this dedicated fund. The total unfunded liability and the annual required contribution (ARC) will be determined by proration.

**References:**

Statement No. 74, Reporting for Postemployment Benefit Plans Other Than Pension Plans, Governmental Accounting Standards Board, June 2015.

Statement No. 75, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, Governmental Accounting Standards Board, June 2015.

**H-3 Compensated Absences**

**Background:**

Another unfunded liability, not frequently monitored by cities and towns, is the cost of accumulating sick leave and vacation buy-backs payable to employees upon retirement. These benefits are typically defined in the labor agreements and personnel policies of municipalities. While it is difficult to precisely forecast the expenditures to be made in any one fiscal year, a state statute can be adopted and local practices can be established to set aside funds for this liability.

**Policy:**

The Town may establish a Special Reserve Fund for Town Employees in accordance with MGL ch.40, sec.13D and shall annually determine the amount of monies to be deposited to this reserve fund.

**References:**

*MGL Ch. 40, Sec.13D Reserve Fund for Future Payment of Accrued Liabilities for Compensated Absences*

**I. RISK MANAGEMENT POLICIES**

**I-1 Risk Management Program**

**Background:**

In recognition that during daily operations, a municipality is constantly exposed to potential impact of property loss, personal injury, and liability, the Government Financial Officers Association recommends that governments develop a comprehensive risk management program that identifies and reduces or minimizes risk to its property, interests, and employees. Costs and consequences of harmful or damaging incidents arising from those risks should be contained.

**Policy:**

The Town's insurance programs ~~impact of the types of property loss, personal~~ ~~injury, and liability~~ the Town is exposed to on a regular basis. If a Town board or commission wishes to add item(s) to the Town's insurance policy, said board or commission shall

The Town shall develop and maintain a risk management program to protect the Town against the financial consequences of accidental loss of property, liability, and personal injury to the extent possible through effective prevention and loss control policies and practices.

**References:**

*Creating a Comprehensive Risk Management Program*, Government Finance Officers Association Best Practice, March 2009.

**I-2 Anti-Fraud Policy and Response Program**

**Background:**

The Town is committed to its duty to ensure effective stewardship of public money and other assets and resources for which it is responsible. It is the policy of the Town to prevent and deter all forms of fraud that could threaten the security of its assets or its reputation. The Town is committed to the prevention, detection, investigation, and corrective action relative to fraud.

Maynard adopted its original risk management and fraud prevention policy in December 2017, and minor changes are included in the below sections.

***What is Fraud?***

Fraud is a violation of trust that is defined as a deception deliberately practiced to secure unfair or unlawful gain. The term includes but is not limited to such acts as deception, bribery, forgery, extortion, theft, embezzlement, misappropriation of money or assets, false representation, the concealment of material facts relating to any of the above, and collusion or conspiracy to commit any or all of the above.

***Antifraud Processes***

The Town is committed to ensure that the opportunity to commit fraud is eliminated. Most important is that an ethical environment is created from the top and flows through the organization. All cases of suspected fraud will be investigated and appropriate action will be taken.

The Town recognizes there may only be a suspicion of fraud, thus any concerns should be reported to the Town Accountant. If the concern involves the Town Accountant, any concerns should be reported to the Town Administrator.

The Town Accountant is the logical point person for investigation of financial fraud. However, fraud, as defined in this policy could be attempted by voters, candidates for employment, contractors, etc. It is recommended that all fraud be reported to the Town Administrator (or the Superintendent of Schools in circumstances related to the School Department), who will designate the appropriate individual(s) to investigate the matter and report back to the Town Administrator (and/or Superintendent of Schools).

***Anti-Fraud Policy and Response Program***

***Applicability***

This Policy applies to all employees, Board and Committee members, and volunteers of the Town of Maynard.

## *Fraud*

Fraud can cover many activities; however, this Policy is directed primarily at financial matters. It may include, but is not limited to:

### Misappropriation of Assets

- 1) Forgery, alteration or misappropriation of checks, drafts, promissory notes, or securities
- 2) Unauthorized use, or disposition of funds or property (for example, misuse of Town-owned computer hardware, software, data and other records; use of Town-owned equipment, vehicles or work time for non-Town purposes)
- 3) Embezzlement
- 4) Theft
- 5) Falsifying time sheets or payroll records
- 6) Falsifying travel or entertainment expenses and/or utilizing Town funds to pay for personal expenses or for personal benefit
- 7) Fictitious reporting of receipt of funds

### Fraudulent Financial Reporting

- 1) Improper revenue recognition
- 2) Improper expense/expenditure recognition
- 3) Overstatement of assets
- 4) Understatement of liabilities

### Expenditures and Liabilities for Improper Purposes

- 1) Payments in money or other property, including but not limited to such things as jobs for families and friends, use of vacation properties, discounted or free services in exchange for benefits and other things of value, bribes, and kickbacks.

## **POLICY:**

The Town will investigate any suspected acts of fraud or misappropriation of property. An objective and impartial investigation will be conducted regardless of the position, title, and length of service or relationship with the Town of any person, group, or organization reasonably believed to have committed fraud. Each department head is responsible for instituting and maintaining a system of internal control to provide reasonable assurance for the prevention and detection of fraud, misappropriations, and other irregularities. Management should be familiar with the types of improprieties that might occur within their area of responsibility and be alert for any indications of such conduct.

All department heads or individuals, upon discovery of any violation of this policy, must notify the Town Accountant of the violation. If it is determined by the Town Accountant that corrective action may be provided for internally within the department, the department head or individual will notify the Town Accountant as to the steps taken to correct the violation.

Upon conclusion of the investigation, the results will be reported to the Town Administrator (or School Superintendent, as applicable). All significant findings will also be reported to the Chairman of the Board of Selectmen (or Chairman of the School Committee, as applicable). Where there are reasonable grounds to believe that a fraud may have occurred, the Town shall pursue appropriate legal remedies for recovery of the assets.

## J. ACCOUNTING/TREASURY/AUDITING/FINANCIAL REPORTING POLICIES

### J-1 Annual Audit

#### **Background:**

The objective of an audit is to obtain financial statements that are reliable, accurate, and complete. An audit also helps to ensure that financial checks and balances are in place to protect public assets. Consequently, it can be a powerful tool by which a community can build taxpayer confidence in government operations.

The Government Finance Officers Association (GFOA) recommends that communities engage the same auditor by entering into multiyear agreements, or a series of one-year contracts, for a term of at least five years. A multiyear agreement allows for greater continuity and enables a new auditor to spread initial start-up costs over multiple years, potentially reducing costs in the initial years.

However, after this term, the GFOA recommends a full, competitive selection process and a rotation of auditors after each multiyear agreement, provided there is adequate competition among qualified auditors. Contracting with a new audit firm not only brings a fresh perspective, but it also reflects good practice.

Where competition is limited, participation of the current auditors is acceptable, assuming their past performance has been satisfactory and conformed to industry standards. In the event the Town chooses to remain with an audit firm, it is advisable to rotate the audit manager on a regular basis.

#### **Policy:**

The Town shall have an independent outside audit performed by a certified public accountant each year. The Board of Selectmen shall provide for such an audit by an accountant or a firm of accountants, who have no personal interests, direct or indirect, in the fiscal affairs of the Town government or of any of its officers or employees. Within fourteen (14) days of receipt of the annual audit, the Town Administrator shall submit the Annual Audit to the Board of Selectmen, Finance Committee, and School Committee for review.

The Town will either re-advertise for auditing services every five to eight years or ensure that there is a regular rotation of audit managers within a particular firm if it elects to stay with a given audit firm. The Town will strive to have the annual audit completed by January 1<sup>st</sup> of the following year.

The Town shall not engage the selected independent outside auditor for any additional consulting services in order to maintain a long-term relationship with the audit firm.

#### **References:**

*Annual Audits*, MA DOR Division of Local Services Best Practice.

### J-2 Audit Review

#### **Background:**

"An external audit for a governing body to provide much needed independent review and oversight of the government's financial reporting processes, i



provides a forum separate from management in which auditors and other interested parties can candidly discuss concerns. By effectively carrying out its functions and responsibilities, an audit review helps to ensure that management properly develops and adheres to a sound system of internal controls, that procedures are in place to objectively assess management's practices, and that the independent government's financial practices (Government Finance Officers Association) are followed.

**Policy:**

The Board of Selectmen, the Town Administrator and members of the financial team (including the Accountant, Treasurer/Collector, Assessor, and representatives of the School Department) shall annually meet with the independent external auditor to review the findings of the audit report. The Finance Committee shall be invited to participate in the meeting and review the audit report. Responsibilities of the Audit Review shall include, but not be limited to, making a recommendation regarding selection of the independent auditor/accounting firm to the Board of Selectmen, monitoring the independent auditor, reviewing results of audit with independent auditor, discussing findings and recommendations, and monitoring implementation of any corrective actions or improvement.

**References:**

*Audit Committees*, Government Finance Officers Association Best Practice, October 2008.

**J-3 Monthly Reporting**

**Background:**

Monthly reporting helps a community to determine whether sufficient funds are available to cover current obligations, whether any surplus can be invested, or whether any shortfall exists requiring temporary borrowing.

**Policy:**

The Town Accountant shall produce and distribute monthly budget-to-actual reporting to evaluate position per Massachusetts State law. These reports shall be submitted to the Finance Committee, among others. This will enable the Town to take prompt management action in the event that fiscal problems are indicated or adjust spending behavior to meet financial challenges. If financial problems are indicated, the Town Accountant will review with the Town Administrator a monthly report of revenues and expenditures at the line item level and submit the information to the Board of Selectmen and Finance Committee.

**References:**

*Cash Flow Forecast in Treasury Operations*, Government Finance Officers Association Best Practice, February 2011.

**J-4 Cash Collections**

**Background:**

One of a government's functions is to collect taxes. Treasurer/Collector's office, accounting office, local governments at the state and/or local level, commercial banks, and private collection agencies.

**Policy:**

The Town shall collect all revenue using fair and consistent methods, exercising all powers provided to it under law.

**J-4a Tax Titles:**

On or before September 1<sup>st</sup>, the Town shall commence tax title proceedings against all properties that owe property taxes to the Town from the previous year.

**J-4b Warranting Accounts Receivable:**

The Treasurer/Collector shall establish and maintain reliable record keeping systems and enforce a timely collections process. All amounts committed must be supported with a warrant and a detailed listing of all amounts due. The Warrant shall be sent to both the Treasurer/Collector and to the Town Accountant. All monies received should be turned over to the Treasurer/Collector's office at least weekly so t

**J-4c Collections:**

The Treasurer/Collector shall aggressively pursue the collection of delinquent accounts and with assistance from the Deputy Collector and other Town officials to pursue collection of outstanding real estate taxes, personal property taxes, excise taxes and fines. The execution of a systematic and deliberate program to collect taxes owed is intended not only to capture revenue, but also to establish a clear policy that tax delinquents will be aggressively pursued. The Treasurer/Collector shall execute in a timely manner collection remedies such as issuance of demands immediately after bills become past due and initiate tax taking shortly afterwards to increase the rate of collection of municipal monies, thereby assisting in the financial stability of the Town.

**J-4d Liens:**

The Town shall authorize the Treasurer/Collector attach certain uncollected revenues to the next fiscal year's real estate tax (also known as tax liens). Upon receipt of any real estate payment which has liens attached, the Treasurer/Collector shall prioritize the payments, first to any interest penalty, then to any lien, and finally to the real estate bill.

**References:**

*Revenue Collection*, Government Finance Officers Association Best Practice.

**J-5 Reconciling Cash and Receivables**

**Background:**

The purpose of regular reconciliations of cash and receivables is to ensure transactions are in balance, to mitigate fraud, and to safeguard general ledger accuracy. Failure to reconcile cash and receivables can result in unreliable reports, close its books, make timely submissions to the Massachusetts Department of Revenue Division of Local Services (DLS), and complete audits. In addition, unresolved variances can reduce the amount of Free Cash certified by DLS and may result in significant deficiency findings.

**APPLICABILITY**

This policy applies to any Town department with the responsibility for the issuance of bills for taxes or charges for services; the Town Accountant or his/her designee; and Treasurer/Collector or his/her designee.

## PROCEDURE

- In each fiscal year, a department responsible for the issuance of bills establishes (1) a subsidiary ledger of amounts to be billed by parcel, in the case of property taxes, or by account for other bills issued for excise taxes or charges for services and (2) a summary receivables control account equal to the total amount to be billed by tax or charge.
- Concurrent with the department's Accountant creates a control account in the general ledger of the total amounts to be billed by tax or charge.
- Each subsequent collection, abatement/exemption, refund or transfer (e.g., to tax title in the case of property taxes), by parcel or account, is posted to the subsidiary ledger a control account with concurrent notification to the Town Accountant for posting to the receivables control account in the general ledger.
- On a regular basis, all departments receiving payments, whether pursuant to the issuance of bills or for fees, transmit to the Treasurer such amounts collected under the cover of a Schedule of Departmental Payments to Treasurer (also known as a turnover sheet) showing the amounts by category of tax, charge or fee for the period just ended, a copy of which is concurrently transmitted to the Town Accountant for posting to the general ledger's revenue accounts and cash control account.
- The Treasurer posts the amounts turned over to the Treasurer's cashbook concurrent amounts into the bank.

## POLICY:

No later than 30 days after the end of each month the following shall occur:

- A department responsible for the issuance of bills shall reconcile all receivable balances with its summary receivables control account. Any variance shall be researched and resolved. Upon resolution, the department shall forward the receivables balance to the Town Accountant for comparison with the receivables control account in the general ledger. If the amounts do not match, the department and the Town Accountant shall determine the reasons for any variance (e.g., missing information, errors, and/or timing differences).
- The Treasurer/Collector shall reconcile the cashbook - reflecting all amounts collected and all amounts paid out - to all bank statements and reconcile any differences between the two. The Treasurer/Collector shall then transmit the reconciled balance to the Town Accountant for comparison to the cash control account in the general ledger. If the amounts do not match, the Treasurer/Collector and the Town Accountant shall determine the reasons for any variance (e.g., missing information, errors, and/or timing differences).

## REFERENCES:

Treasurer's Manual 2017 and Collector's Manual 2017 Massachusetts Collectors & Treasurers Association

Reconciling Cash and Receivables, MA DOR Division of Local Services Best Practice February 2016

## **J-6 Cash Flow Forecasting and Budgeting**

### **Background:**

The purpose of cash flow forecasting is to determine whether sufficient funds are available to cover current obligations, whether any surplus can be invested, or if any cash shortfall exists which may require temporary borrowing.

The Division of Local Services recommends maintaining a cash flow budget to forecast investment opportunities or borrowing needs. Major revenue sources like property taxes and state aid are generally received in large, lump sums at specific points in the fiscal year and do not necessarily coincide with expense patterns, which often results in cash surpluses or shortfall during certain periods of the year.

The Government Finance Officers Association also recommends cash flow forecasting as a best practice. When used as a cash management guide, it can lead to the optimized use of funds as well as ensure sufficient liquidity.

### **Policy:**

The Town Accountant and Treasurer/Collector will develop a cash flow forecast for the upcoming fiscal year after approval of the annual budget and before July 1 each year.

### **References:**

*Cash Flow Forecast in Treasury Operations*, Government Finance Officers Association Best Practice, February 2011.

## **J-7- Aging Accounts Receivable**

### **Background:**

Communities issue and collect revenue from many sources. Some revenues have a high degree of collectability (e.g. Real Estate taxes), while others have less successful collection rates (e.g. Personal Property and Motor Vehicle Excise taxes).

### **Policy:**

The Town shall maintain records of accounts receivable that may be collected. The Assessing Department shall review aged accounts receivable to determine which bill has a reasonable chance of collection. Accounts receivable should be no older than seven years. The Assessing Department shall write off aged Personal Property and Motor Vehicle Excise taxes that are unlikely to be collected. The process of writing off accounts receivable shall include written notification to the Treasurer/Collector and Town Accountant. Motor Vehicle Excise tax bills that are written off still have a slight chance of collection through use of a Deputy Collector. In the event that a written off Excise tax bill is collected by the Deputy Collector, the Town shall post the revenue tax for a specific or fiscal year.

## **J-8 – Unclaimed Vendor and Payroll Checks (also known as Tailings)**

### **Background:**

Communities issue thousands of checks, both for vendor and payroll payments each fiscal year. Some of these checks are not cashed. Uncashed checks accumulate on the monthly bank reports and are treated as reconciling items by the community.

**Policy:**

The Town shall monitor uncashed checks on a monthly basis. An uncashed check that is older than four months shall be voided at the bank. The Town shall send a first -class mail letter to the last known address of the recipient of the check for any checks greater than ten dollars. All voided checks shall be transferred from Accounts Payable to Tailings Payable. A check recipient who informs the Town that a check was not received, shall be issued a replacement check from the Tailings Payable account. Outstanding checks with a value of one hundred dollars or more shall be posted by the Town, either in a local newspaper or page. After a period of no less than sixty days, the Town may transfer the funds to Free Cash. However, the Town is not relieved of the obligation to pay the check recipient. Although rare, aged checks are sometimes claimed by the recipient. Therefore, the Town must maintain a minimum reserve in the Tailings Payable account to support such claims.

**K. PROCUREMENT AND PURCHASING POLICIES**

**K-1 Procurement and Purchasing Policy**

**Background:**

The Commonwealth of Massachusetts establishes municipal purchasing regulations under M.G.L. Chapter 30B, and other related regulations. The State Inspector General's office has a comprehensive guide to Chapter 30B requirements.

The Chief Procurement Officer (CPO), appointed by the Board of Selectmen, pursuant to MGL Ch. 30B and MGL Ch. 41, S 103, implements and administers the purchasing policies and procedures of the Town and ensures that all purchases are made in accordance with Massachusetts State Laws and Town By-laws, are open, fair and competitive, and that the low cost and high quality standards are met.

**Policy:**

The Town shall follow the guidance ~~of the Chapter 30B Manual: Procuring Supplies, h e~~ *"Services and Real Property"* in order to comply with the requirements of M.G.L. Ch. 30B. To supplement this guidance, the Town Administrator will develop a concise directive on purchasing procedures for department heads or others involved in Town purchasing or procurement.

The Town Administrator shall be the awarding authority for purchases in amounts of less than \$50,000 and shall execute said contracts on behalf of the Town. For purchases \$50,000 or greater, the Board of Selectmen shall be the awarding authority and shall execute said contracts.

Articles approved by the Town Meeting shall allow the Town Administrator / Chief Procurement Officer (CPO) to be the awarding authority and execute said contracts.

The School Committee shall be the awarding authority and shall execute said School Department contracts. Per MGL 30B section 19, the Town's Chief Procurement Officer will delegate to the Manager.

## L. INVESTMENT POLICIES

### L-1 Investment Policy

#### **Background:**

A local investment policy establishes guidelines and responsibilities in accordance with state law for managing and investing municipal funds.

The Governmental Accounting Standards Board recommends the disclosure of key policies affecting cash deposits and other long-term investments to ensure they are managed prudently or are not subject to extraordinary risks.

When assessing municipalities for credit quality, rating agencies look for investment management policies that address selection of financial institutions for services and transactions, risk assessment, investment objectives, investment maturities and volatility, portfolio diversification, safekeeping and custody, and investment performance reporting, benchmarking, and disclosure.

#### **Policy:**

The Treasurer/Collector is responsible for investing Town funds and will make all decisions regarding the management of Town Funds. The Treasurer/Collector shall invest Town funds in a manner that meets daily operating cash flow requirements and conforms to state statutes governing public funds, while adhering to generally -accepted diversification, collateralization, and the prudent investment principles of safety, liquidity and yield. The Treasurer/Collector will also regularly monitor statutory changes governing investments and offer any policy amendments. The Treasurer/Collector will submit a report of investments on a regular basis to the Board of Selectmen and the Town Administrator.

#### **References:**

M.G.L. c. 44, §54 M.G.L. c. 44, §55 M.G.L. c. 44, §55A M.G.L. c. 44, §55B

Deposit and Investment Risk Disclosures, Governmental Accounting Standards Board Statement No. 40, as amended by Statement No. 3, March 2003.

Creating an Investment Policy, Government Finance Officers Association Best Practice, October 2010.

Financial Management Assessment, Standard and Poor's, June 2006.

### L-2 Post-Issuance Tax Compliance Procedure for Tax-Exempt Debt Obligations and Other Tax-Benefited Obligations

#### **Background:**

Post-issuance compliance procedures are designed to provide for the effective management of a municipality's or note issuance compliance program for tax-exempt and other tax-benefited bonds in a manner consistent with state and federal laws applicable to such obligations.

#### **Policy:**

The Treasurer/Collector shall review post-issuance compliance procedures at least annually and implement revisions or updates as deemed appropriate, in consultation with bond counsel or the Financial Advisor.



# APPENDIX

## Appendix 1 - Maynard Town Charter

Version Approved 2014

### ARTICLE 6

#### FINANCE AND FISCAL PROCEDURES

##### SECTION 6-1: FISCAL YEAR

The fiscal year of the Town of Maynard shall begin on the first day of July and shall end on the last day of June, unless another period is required by general law.

##### SECTION 6-2: FINANCE COMMITTEE

A finance committee shall be established with Article 2, section 2-3 of this charter.

##### SECTION 6-3: LONG-TERM FINANCIAL PROJECTION

The town administrator shall develop an overall financial projection of the town and provide an analysis of how the projection relates to the current and upcoming budget of the town by the 15th day of November of each year or any other time fixed by by-law. The projection will be regarded as a guideline as each department formulates their budget for the next fiscal year.

The financial projection shall be reviewed by the board of selectmen and finance committee and be adopted by the board of selectmen with or without amendment.

##### SECTION 6-4: SUBMISSION OF BUDGETS AND BUDGET MESSAGE

a) Estimated Revenues - On or before the first day of November of each year or any other time fixed by by-law, the town administrator shall request and receive from all town agencies, officers and multiple member bodies the estimated revenues for the next fiscal year. Upon receipt of any additional specific data provided by the Commonwealth or from any other source, such estimates shall be revised, updated and submitted forthwith to the town administrator.

b) Policy Statement - On or before the fifteenth day of November of each year, or any other time fixed by by-law, the board of selectmen, after consultation with the town administrator and the finance committee, shall issue a policy statement relating to the budget for the next fiscal year. The statement shall establish the outer limits and guidelines of possible budget growth for the town to be used by the various town agencies, officers and committees in the preparation of operating budgets for the ensuing fiscal year. The town administrator shall send the policy statement to every town agency, officer, and committee charged with the expenditure of town funds.

c) Budget Requests - Every town agency, officer, and committee charged with the expenditure of town money shall submit its budget requests for the ensuing fiscal year to the town administrator by the first day of January of each year or any other time fixed by by-law. Such budget requests shall include commentary regarding any changes from the amounts appropriated for the current year for the same purposes and any additional work projects that will require additional expenditures.

d) Submission of Comprehensive Budget - On or before the twenty-first day of January of each year, or any other time fixed by by-law, the town administrator shall submit to the board of selectmen a comprehensive budget for all town functions for the ensuing fiscal year and an accompanying budget message.

The board of selectmen in conjunction with the town administrator and the finance director will develop a schedule each year for the budget process.

##### SECTION 6-5: ACTION ON THE PROPOSED BUDGET



- a) Joint Budget Review - On or before the fifteenth day of February, the board of selectmen and the finance committee will hold a joint budget review meeting. In the course of the review, the board of selectmen and the finance committee may require the town administrator, and representatives of town departments, offices, or multiple member bodies to attend and present appropriate financial reports and budgetary information.
- b) Adoption - The board of selectmen shall on or before the second Saturday of April, or otherwise appropriate to the relevant schedule of the Massachusetts Department of Revenue, or any other time fixed by by-law, adopt the budget, with or without amendments, and the estimated revenues. The adopted budget and estimated revenues shall then be submitted forthwith to the finance committee.
- c) Finance Committee Review - The finance committee shall conduct at least one public hearing on the proposed budget. In preparing its recommendations, the finance committee may require the town administrator, any town department, office, or multiple member body to furnish it with appropriate financial reports and budgetary information.
- d) Publication - The publication of the proposed budget and finance committee recommendations shall be included in the warrant of the annual town meeting issued by the board of selectmen in accordance with the provisions of Article 2, of this charter. The budget shall be published on the official town website and updated as appropriate during process with comments from the finance committee and/or the board of selectmen.
- e) Presentation - The board of selectmen shall be responsible for presenting the town budget to the town meeting. The budget shall be first subject to amendments by the finance committee before any other amendments are proposed.

SECTION 6-6: BUDGET ADOPTION

The town meeting shall adopt the budget, with or without amendments, prior to the beginning of the fiscal year.

SECTION 6-7: CAPITAL IMPROVEMENT PLANS

The capital planning committee shall prepare a capital improvements plan based on material developed by the town administrator including:

- a) a clear and concise general summary of its contents;
- b) a list of all capital improvements proposed to be undertaken during the next five (5) fiscal years together with supporting information as to the need for each capital improvement;
- c) cost estimates, methods of financing and recommended time schedules for each improvement; and
- d) the estimated annual cost of operating and maintaining the facilities or equipment to be constructed or acquired.

The above information shall be revised and extended each year with regard to capital improvements pending or in the process of construction, repair or acquisition.

The capital improvements plan shall be submitted to the board of selectmen and the finance committee on or before the first day of January of each year, or any other time fixed by by-law.

The board of selectmen shall, on or before the second Saturday of March or any other time fixed by by-law, accept the capital improvements plan with or without amendments.

The capital improvement plan shall be part of the joint budget review as specified in Section 6-5(a) and presented in a public forum to the finance committee and the board of selectmen prior to the annual town meeting.

SECTION 6-8: COLLECTIONS

Except as otherwise provided by general law or by-law all monies and fees received by any department, officer, or multiple member body shall be paid forthwith into the town treasury. The treasurer/collector shall use any and all means necessary to collect taxes in accordance with General Laws. The treasurer/collector shall use only those agreements consistent with the Massachusetts Department of Revenue guidelines when entering into any tax payment agreements.

SECTION 6-9: PUBLIC RECORDS

The budget and the capital improvements plan shall be public records, and copies shall be available for inspection at the office of the town clerk and posted to the town's website.