

# **TOWN OF OXFORD**

**FINANCIAL MANAGEMENT AND OPERATIONS POLICIES**

**MARCH 2021**

Adopted by:

 John Allen 3/8/21  
Town Manager Date

 Katherine M. McLean 3/8/21  
Finance Director/Town Accountant Date

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## **INTRODUCTION**

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The Town of Oxford, through its Town Manager and Finance Director, engaged the services of the Edward J. Collins. Jr. Center at the University of Massachusetts Boston to develop proposed financial management and operations policies to guide the Town in its decision-making and financial management. This project was funded by a Best Practices grant from the State Community Compact Cabinet (CCC) initiative, whose goal is to encourage best practices that promote efficiency, accountability, and transparency in municipal government. Further, the policies and procedures are intended to provide local officials with a means to demonstrate to townspeople its commitment to stewardship of the Town's municipal assets and to demonstrate to bond rating agencies that the Town recognizes the need to identify the impact of current decisions on the future and plan accordingly.

It is important to point out that this is not a static document; conditions and the environment in which municipalities operate can change. Consequently, these policies and procedures should be reviewed periodically to determine if modifications are warranted.

### **OBJECTIVES:**

The objectives of the proposed Financial Management and Operations Policies included herein are as follows:

- A. *To guide elected and appointed officials 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 regularly evaluate the Town's financial capacity to meet present and future needs;*
- D. *To promote credible and sound financial management by providing accurate and timely information on the Town's financial condition to elected officials, staff, the public and external interests;*
- E. *To ensure that current and future capital needs are addressed in a comprehensive and financially-sound manner;*
- F. *To promote improvement in the Town's credit rating and provide financial resources sufficient to meet the Town's obligations on all municipal debt and other long-term obligations; and*
- G. *To establish an effective system of internal controls that ensures the proper use of financial resources.*

## **A. FINANCIAL MANAGEMENT POLICIES**

### **A-1 Annual Budget Process**

#### **PURPOSE**

The purpose of this policy is to articulate the principles to be followed in the formulation of the recommended annual budget, formalize the steps that culminate in the adoption of the annual budget, and identify the parties responsible for preparing and presenting the budget.

#### **APPLICABILITY**

This policy applies to the Board of Selectmen, the Town Manager, the Finance Committee, the Finance Director/Town Accountant, the Superintendent of Schools and the School Committee, and Town Meeting.

#### **DEFINITIONS**

Annual Operating Budget – Inclusive of budgets to account for operations of the general fund and enterprise funds.

General Fund - The primary fund used by a government entity to account for general government services. This fund is used to record all revenues and expenditures that are not associated with special-purpose funds, e.g., enterprise funds and grant funds. The activities being paid for through the general fund constitute the core administrative and operational tasks of a municipality.

Enterprise Fund - A separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for services, e.g., water and sewer. Revenues and expenses of the service are segregated in the fund with financial statements separate from all other governmental activities.

#### **POLICY**

The following principles shall guide Town officials in the preparation of the recommended annual operating budget for presentation to Town Meeting:

- As required by Massachusetts General Law, the recommended annual operating budget shall be balanced; that is, total recommended appropriations shall be supported by estimates of revenue equal to those appropriations.
- Recommended appropriations shall be realistically budgeted and revenues shall be conservatively estimated.
- As a general rule, sources of estimated revenue shall be reasonably expected to recur annually to sustain recurring annual expenditures.
- The document presenting the recommended annual budget shall include a presentation of estimated revenues and the assumption underlying the estimates.

- The Town will seek to avoid using budgetary relief offered by statute or regulation that balances the budget at the expense of future years, such as amortizing deficits over multiple years.
- The Town shall maintain reserves for emergencies and other purposes (See Town of Oxford, Financial Reserves policy) and shall maintain liquidity sufficient to pay bills on time to preclude the need to borrow in anticipation of revenue.

## PROCEDURES

The following procedures shall be followed in the development and presentation of the recommended annual operating budget:

- The recommended annual operating budget – as well as the recommended capital budget (see Town of Oxford, Capital Planning policy) – shall be the responsibility of the Town Manager.
- Prior to the beginning of the budget process, the Town Manager, or his/her designee, shall develop a calendar outlining the steps to be followed in the development of the budget and the proposed dates they are scheduled to occur.

Copies of the calendar and budget guidelines shall be distributed to the Finance Committee. Pursuant to the Town Charter, the calendar shall include a date by which the Finance Committee shall transmit to the Town Manager the form in which it would like the annual financial plan presented.

- On a date determined by the Town Manager, The Town Manager, or his/her designee, shall submit budget guidelines and the budget calendar to all municipal departments, the school department, and boards and committees who will be submitting budget requests. Included at this time shall be the forms prescribed by the Finance Director/Town Accountant for submittal of budget requests.
- No later than a date determined by the Town Manager, the annual budget requests of all municipal departments, the school department, and board and committee shall be submitted to the Finance Director/Town Accountant.
- The Town Manager and Finance Director shall meet with the parties submitting budget requests to review, discuss, and seek modifications, if any.
- The Town Manager shall submit a recommended operating budget and an accompanying budget message to a joint meeting of the Board of Selectmen and the Finance Committee for review and approval at least 45 days prior to the commencement of the Annual Town Meeting. The budget shall provide a complete financial plan for all Town funds and activities and it shall indicate proposed expenditures for both current operations and capital projects during the ensuing year, detailed by divisions, departments, offices, boards, commissions, committees, and purposes.

- The Town Manager's budget message shall include, but not be limited to, the following:
  - An outline of the proposed financial policies of the Town for the ensuing fiscal year;
  - A description of the important features of the budget
  - A description of any major changes from the current year in financial policies, expenditures, and revenues, together with the reasons for such changes
  - A summary of the Town's debt position
  - Other material the Town Manager deems appropriate
- The Finance Committee shall conduct one or more public meetings on the recommended budget and shall issue its recommendations in print and make copies available to the voters at least seven days prior to the May session of the Annual Town Meeting. In preparing its recommendations, the committee may require any town division, department, board, or office to furnish it with appropriate financial reports and budgetary information.
- The Board of Selectmen shall be responsible for presenting the budget to Town Meeting.

## REFERENCES

M.G.L. c. 44, §31

Town of Oxford Charter

Town of Oxford, [Financial Reserves policy](#)

Town of Oxford, [Capital Planning policy](#)

**ADOPTED BY:**

Jennifer Callahan, Town Manager

Katie McKenna, Finance Director/Town Accountant

**DATE ADOPTED:**

3/8/2021

**UPDATED:**

3/11/2022

## **A-2 Capital Planning**

### **PURPOSE**

Capital assets – roads and bridges, utility infrastructure, equipment, vehicles, parks, buildings, and technology – are critical components in supporting the delivery of municipal services and contributing to the quality of life in the town.

The purpose of this policy is to define an annual capital planning process to identify the need for the acquisition of new capital assets, the replacement of existing assets, and the proposed financing of each.

### **APPLICABILITY**

This policy applies to all departments, boards, and committees that maintain an inventory of capital assets; to the Town Manager and his/her designee as the party responsible for the development of an annual capital plan; and the Finance Committee as reviewer of that plan. The Finance Committee shall serve as the Capital Program Committee until that time the Town elects to create such a committee as provided for in Oxford's Town Charter and Massachusetts General Law.

### **DEFINITIONS**

Capital project - A major, non-recurring expenditure that generally meets the following criteria:

- Massachusetts General Law permits the Town to issue bonds to finance the expenditure;
- The expenditure is \$25,000 or more;
- The expenditure will have a useful life of 5 years or more; and
- Planning, engineering, or design services may be considered capital when such services are integral to a construction, renewal, or replacement project that meets the criteria for a capital expenditure.

### **POLICY**

The following shall be the policy of the Town:

- To maintain its physical assets by providing funding in the annual operating budget for cash capital and debt-financed capital to protect its capital investments and minimize future maintenance and replacement costs.
- To pursue a program of preventive maintenance as a cost-effective approach to protecting its capital investments and maximizing the useful life of its capital assets.
- To endeavor to provide and preserve the infrastructure and equipment needed for achieving the highest levels of public services and quality of life possible by annually developing a five-year Capital Plan including a proposed annual Capital Budget to ensure adequate investment in the Town's capital assets.

- The following shall be considered in the identification of financing of capital:
  - Long-term debt shall be considered an appropriate funding source for capital requests whose costs cannot be accommodated within the annual operating budget without adversely affecting the financing of services.
  - The term for which debt is issued shall comply with the limits in Massachusetts General Law. Notwithstanding these limits, debt maturities should be equal to or less than the useful life of the asset being financed.
  - To the extent practicable, assets with short useful lives that are replaced regularly, e.g., police cruisers, shall be funded as cash capital in the operating budget.

## **PROCEDURES**

The Town Manager, or his/her designee, shall have responsibility for coordinating the development of the annual capital plan which shall include:

- A calendar identifying dates for the submittal of capital requests by town departments, boards, and committees to the Town Manager; review of those requests by the Finance Committee; and transmitting those requests to the Finance Committee as part of the Town Manager's recommended annual capital plan which shall include:
  - Projects recommended for funding in the upcoming fiscal year (the Capital Budget);
  - Proposed sources of funding for projects in the Capital Budget (see [Town of Oxford Financial Reserves and Debt Management policies](#));
  - Current debt service and projected annual debt service based on projects in the Capital Budget recommended to be funded with debt; and
  - A list of requested projects by department with estimated costs for years 2 through 5 of the capital plan.

Only projects that have gone through the annual capital planning process will be considered for funding unless required by an emergency. In the event of such an occurrence, such requests shall be submitted to the Town Manager, in a form prescribed by the Town Manager, for review and consideration. If the Town Manager deems the request an emergency, he/she shall transmit the request, including a recommendation on the source of funding, to the Finance Committee for consideration.

Criteria for the Town Manager's consideration in prioritizing capital requests for proposed funding in the annual capital plan shall address the following questions:

- Eliminates a hazard to public health and safety?
- Required by state or federal laws or regulations?
- Uses outside financing sources, such as grants?
- Stabilizes or reduces operating costs?

- Replaces a clearly obsolete facility, makes better use of an existing facility, or relieves an overburdened situation?
- Maintains or improves productivity or existing standards of service?
- Supports adopted plans, goals, objectives, and policies of the Town?
- Directly benefits the Town's economic base by protecting and increasing property values?
- Provides new programs having social, cultural, historic, economic, or aesthetic value?
- Increases operational or personnel costs?

Within six months after the completion of a capital project or acquisition financed through a special article, the Finance Director/Town Accountant shall close out the project so any unexpended balance financed with cash or bond proceeds can be re-deployed for other purposes pursuant to Massachusetts General Law or regulation.

## **REFERENCES**

M.G.L. c. 41, § 106B	M.G.L. c. 44, §§ 7-8
M.G.L. c. 44, § 20	M.G.L. c. 44, § 33B

Town of Oxford Town Charter dated February 2, 2020

Town of Oxford, [Debt Management policy](#)

Town of Oxford, [Financial Reserves policy](#)

Massachusetts Department of Revenue, Division of Local Services Best Practice: [Presenting and Funding Major Capital Projects](#)

## **ADOPTED BY:**

Jennifer Callahan, Town Manager

Katie McKenna, Finance Director/Town Accountant

## **DATE ADOPTED:**

3/8/2021

## **UPDATED:**

3/11/22

## **A-3 Debt Management**

### **PURPOSE**

Pursuant to Massachusetts General Law, municipalities may issue debt to finance capital projects and, under extraordinary circumstances, for non-capital purposes. The purpose of this policy is to guide the Town of Oxford in making decisions regarding the issuance of debt needed to maintain capital assets, yet at a level that recurring revenue can support without adversely affecting the delivery of local services.

### **APPLICABILITY**

This policy applies to the Board of Selectmen, Town Manager, and the Finance Committee (in its role as Finance Committee and acting as the Capital Program Committee) in their capacity as budget decision makers; and, to the Finance Director/Town Accountant and Treasurer/Collector in regard to their responsibility to manage the issuance of debt.

### **DEFINITIONS**

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

Bond anticipation note (BAN) – A short-term note issued to provide cash for initial project costs. BANs may be issued for a period not to exceed ten years but require a reduction of principal after two years. At maturity a BAN can be retired in full or converted to a long-term bond.

Bond counsel – Special legal counsel with expertise in the issuance of municipal bonds hired to ensure that all aspects of a bond issue - from Town Meeting authorization to bond sale to post-sale reporting and disclosure - conforms to all applicable state and federal laws and regulations.

Debt service – The annual amount of principal and interest paid on a bond, typically twice a year with one payment for principal and interest and the other for interest only.

Enterprise Fund - A separate accounting and financial reporting mechanism for which revenues and expenditures are segregated into a fund with financial statements separate from all other governmental activities. An enterprise fund identifies the total direct and indirect costs to provide the service and the sources and amounts of revenues that support a service for which a fee is charged in exchange for the service; an example being the delivery of sewer services.

Exempt debt – General Fund debt financed outside the limits of Proposition 2 ½ pursuant to a debt exclusion vote approved by a majority vote of registered voters in a municipality. Also known as Excluded debt.

Financial Advisor – Hired by a municipality to advise on the structure of a bond issue, finalize bond financing plans, develop offering documents, prepare for any rating agency and investor presentations, market the bond offering to investors, price the bonds, close the transaction and assist with any post-closing disclosure requirements.

General Fund - The primary fund used by a governmental entity. This fund is used to record all revenues and expenditures that are not associated with special-purpose funds. e.g., enterprise funds, grant funds,

and revolving funds. The activities being paid for through the general fund constitute the core administrative and operational tasks of a municipality.

Non-exempt debt – General Fund debt financed within the limits of Proposition 2 ½.

Official Statement - A document containing information about a prospective bond or a bond anticipation note issue, which contains information about the issue and the issuer and is intended for the potential investor. The official statement is sometimes published with a notice of sale. It is sometimes called an offering circular or prospectus.

Proposition 2 ½ - Pursuant to Massachusetts General Law, a limit in the annual increase in a municipality's property tax levy to 2 ½ percent plus an increase attributable to new construction in the municipality. In addition, upon voter approval, property taxes may increase beyond the limits of Proposition 2 ½ on a permanent basis to fund increases in the operating budget or on a temporary basis to fund capital improvements.

## **POLICY**

The Town's policy regarding debt management shall be as follows:

- The means of identifying projects that are candidates for debt financing shall be an annual capital planning process (see Town of Oxford Capital Planning and Financial Reserves policies).
- It is recognized that large capital investments, other than exempt debt, cannot be financed on a pay-as-you go basis with current revenue without the risk of adversely affecting general fund or enterprise fund operating budgets. Therefore, it shall be policy that capital projects in excess of \$250,000 are appropriate for financing through the issuance of debt.
- The Town will endeavor to structure non-exempt, exempt, and enterprise fund debt in a manner that will minimize the impact on taxpayers and ratepayers.
- The term for which debt is issued shall comply with the limits in Massachusetts General Law. Notwithstanding these limits, debt maturities should be equal to or less than the Town's estimate of the useful life of the asset being financed.
- Total general fund non-exempt, long term debt service as a percentage of the Town's annual operating budget shall not exceed 10 percent with a target of 5 percent. In addition, as a general rule, the Town shall strive to establish a debt service floor of 2 percent of the operating budget, representing a commitment to maintaining its capital assets from recurring revenue.
- Annual general fund debt service in a given fiscal year shall not grow at a rate that exceeds the projected percentage increase in general fund revenue for that year.
- Notwithstanding the maximum term allowed by Massachusetts General Law, the Town will (1) endeavor to minimize the term for which non-exempt and enterprise fund debt is issued and (2) issue debt on a level principal/declining interest basis (so that annual debt service will decline

over the term of the bond) with the goal of freeing up capacity within the annual debt service budget to accommodate new debt without adversely affecting the operating budget.

- The Town, with advice from its financial advisor, shall endeavor to issue debt with call dates to facilitate refunding if the interest rate environment changes to the Town's advantage.
- The Town will strive to identify policies and procedures that will maintain, if not enhance, its bond rating.

## **PROCEDURES**

It shall be the responsibility of the Finance Director/Town Accountant, with the assistance of the Treasurer/Collector, as follows:

- Work with bond counsel to draft motions for review by the Town Manager and the Board of Selectmen for transmittal to Town Meeting for approval of debt authorizations.
- Work with department heads responsible for managing capital projects to project the cash flow needs of individual projects and schedule bond and/or bond anticipation notes (BAN) sales accordingly.
- Coordinate the compilation of information from town departments and the school department for transmittal to the Town's financial advisor for inclusion in the Official Statement.
- Identify Town staff to participate in presentations to bond rating agencies, lead the presentation, and coordinate timely responses to any questions raised by a rating agency.
- Work with bond counsel and the Town's financial advisor to draft motions required to be voted by the Board of Selectmen at the time of the award for the sale of bonds.
- For capital projects authorized to be funded through the issuance of debt, in order to avoid arbitrage penalties, ensure that the amount borrowed at any given time for individual bond authorizations can be expended on a schedule that complies with Internal Revenue Service requirements.
- Work with the Treasurer/Collector to ensure that bond proceeds are segregated and ensure that they are expended for the purpose for which they were borrowed.
- Work with the Treasurer/Collector to ensure that the investment of bond proceeds complies with limitations imposed by the Internal Revenue Service.
- In consultation with the Town's financial advisor, ensure that all debt-related filings with the federal government (the Internal Revenue Service and the Municipal Securities Rulemaking Board) and the Massachusetts Department of Revenue be done timely.

## REFERENCES

M.G.L. c. 41, § 59	M.G.L. c. 41, § 61
M.G.L. c. 44, § 4	M.G.L. c. 44, § 6
M.G.L. c. 44, § 6A	M.G.L. c. 44, § 7
M.G.L. c. 44, § 8	M.G.L. c. 44, § 17
M.G.L. c. 44, § 19	M.G.L. c. 44, § 20
M.G.L. c. 44, § 21A	26 USC § 148

Town of Oxford, [Capital Planning policy](#)

Town of Oxford, [Financial Reserves policy](#)

Massachusetts Department of Revenue, Division of Local Services - DLS Best Practice: [Understanding Municipal Debt](#)

Massachusetts Department of Revenue, Division of Local Services - [DLS Borrowing Guidelines: Asset Useful Life - Borrowing Limits](#)

Massachusetts Department of Revenue, Division of Local Services - [DLS Informational Guideline Releases 17-21: Borrowing and 17-22: Premiums and Surplus Proceeds for Proposition 2½ Excluded Debt](#)

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

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

### **ADOPTED BY:**

Jennifer Callahan, Town Manager

Katie McKenna, Finance Director/Town Accountant

### **DATE ADOPTED:**

3/8/2021

## **A-4 Enterprise Fund**

### **PURPOSE**

Massachusetts General Law provides for municipalities to establish – for accounting purposes - a separate fund(s) classified as Enterprise Funds to record the revenues and expenditures of municipal operations that deliver services on a business-like basis; that is, the users of the service are charged fees intended to cover most if not all of the costs of delivering the service.

The purpose of this policy is to establish principles that govern the accounting and financing of operations that deliver these kinds of services.

### **APPLICABILITY**

This policy is applicable to the Town Manager with responsibility for recommending annual enterprise fund budgets and recommending user charges; the Board of Selectmen with responsibility for setting user charges; the Finance Committee with responsibility for reviewing budget recommendations and advising Town Meeting; and, the Finance Director/Town Accountant with responsibility for the accounting and financial reporting of the activities of an enterprise.

### **DEFINITIONS**

Direct costs – Those expenses that comprise the recommended budget for the enterprise and are voted as appropriations by Town Meeting to finance the operations of the enterprise. These expenses are accounted for in the enterprise fund.

Enterprise Fund - A separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. Revenues and expenses of the service are segregated into the fund with financial statements separate from all other governmental activities.

Fund – A separate accounting entity used to segregate the revenues and expenditures of a single municipal activity or multiple activities, record the annual financial results of that operation, segregate any resulting surplus and facilitate financial reporting of the Fund's assets and liabilities.

General Fund - The primary fund used by a government entity. This fund is used to record all revenues and expenditures that are not associated with special-purpose funds, e.g., enterprise funds and grant funds. The activities being paid for through the general fund constitute the core administrative and operational tasks of a municipality.

Indirect costs – Those expenses that are part of the annual operating budget accounted for in the General Fund, a portion of which can be identified as supporting the operations of an enterprise.

Retained Earnings - Any operating surplus (actual revenues in excess of estimates and appropriations in excess of expenses) is retained in the Enterprise Fund rather than closed to the General Fund at fiscal year-end. This surplus, certified by the Massachusetts Department of Revenue, Division of Local Services as available for use, is called “retained earnings.” Use of retained earnings requires appropriation by town meeting.

## POLICY

The Town will adhere to the following policies regarding Enterprise Funds:

- For any service delivered on a business-like basis, the Town shall consider establishing an enterprise fund in order to effect the following:
  - To clearly identify the total cost of delivering the service – direct, indirect and capital – and the source(s) of funding of the service.
  - To make readily accessible important financial and management information for rate-setting purposes and financial reporting.
  - To provide a vehicle for the segregation of any surplus at fiscal year-end generated by the results of operations, and reserve that surplus for future use in support of the operation, subject to appropriation by Town Meeting.
- The annual budget of any enterprise shall be included in the Town Manager's annual recommended budget as described in the Town of Oxford, Annual Budget Process policy.
- Capital requests of any enterprise shall be included in the Town Manager's recommended annual capital plan as described in the Town of Oxford, Capital Planning policy.
- User charges shall be set at a level to cover all costs, direct, indirect and capital-related.
- The enterprise's share of the Town's annual cost of financing its Other Post Employment Benefits (OPEB) liability shall be included in the total costs to be financed by user charges as described in the Town of Oxford, Other Post Employment Benefits policy.
- User charges shall be reviewed annually and presented to the Board of Selectmen by the Town Manager, or his/her designee, for review. If rate changes are recommended, the Board of Selectmen shall, pursuant to its fee-setting duties, act on such recommendations including the date that new rates shall become effective.
- A reserve of retained earnings shall be maintained at a level described in the Town of Oxford, Financial Reserves policy, including an amount to cover emergency circumstances.
- Mid-year adjustments of rates will be sought only under extraordinary circumstances in response to emergencies that cannot be accommodated through an appropriation of available retained earnings.

## **PROCEDURES**

Determination of Indirect Costs – Indirect costs shall be determined annually to serve two purposes:

- As part of the budget process, to identify the amount of Enterprise Fund revenue proposed to be transferred to the General Fund to finance those costs to be incurred by the General Fund in support of the operations of the enterprise.
- To include as a component of the total annual cost of the enterprise – in addition to direct and capital costs – for the purpose of determining rates that will result in the enterprise being self-supporting; that is, total estimated revenue equal to total costs.

Indirect costs shall include but not be limited to the following:

- Benefits for active and retired employees, including insurances, Medicare tax, unemployment, and workers' compensation
- Pension costs – the Town's share of its annual pension assessment attributable to employees of the enterprise
- Vehicle insurance
- Property and liability insurance covering buildings, equipment, and operations of the enterprise
- Administrative costs – payroll, accounting, accounts payable, purchasing, treasury and collection services, human resources, and other general fund staff providing assistance to the enterprise (e.g., Director of Public Works, Town Engineer)
- Audit services
- Actuarial services
- Legal services
- Debt service, if not included as a direct cost in the enterprise budget as adopted by Town Meeting
- Information technology expenses
- Other costs that may be considered and agreed to, such as: printing, postage, materials, supplies, software, infrastructure, and fuel

The Finance Director/Town Accountant, in consultation with the Director of Public Works, shall develop written methodologies for identifying and calculating indirect costs, and annually shall coordinate and oversee their calculation culminating in a written report. The date for completion of the report shall be integrated into the annual budget calendar (See Town of Oxford, Annual Budget Process policy) such that it provides timely information needed in the development of the Town Manager's annual budget recommendations.

## **REFERENCES**

M.G.L. c. 44, § 53F½

Massachusetts Department of Revenue, Division of Local Services: Enterprise Fund G.L. c. 44, § 53F½

Town of Oxford – Annual Budget Process policy

Town of Oxford – Financial Reserves policy

Town of Oxford – Capital Planning policy

Town of Oxford – Other Post Employment Benefits policy

**ADOPTED BY:**

Jennifer Callahan, Town Manager

Katie McKenna, Finance Director/Town Accountant

**DATE ADOPTED:**

3/8/2021

## **A-5 Financial Reserves**

### **PURPOSE**

The creation and maintenance of financial reserves is a critical component of sound and prudent financial management. Reserves serve multiple functions:

- as a source of funding for selected, planned future capital expenditures precluding the need to issue debt thus avoiding interest and borrowing costs
- as a source of funding for significant and extraordinary, unforeseen expenditures
- as a source of funding to substitute for lost revenue during a time of economic downturn thus precluding, or minimizing, cuts to municipal and educational services
- as evidence to credit rating agencies of a municipality's strong financial management in that the maintenance of significant reserves indicate a commitment to comprehensive long-term planning, a positive factor in credit rating determinations

### **APPLICABILITY**

This policy pertains to short and long-range budget decision-making and applies to the Board of Selectmen, Town Manager, and the Finance Committee, and is intended to be advisory to Town Meeting.

### **DEFINITIONS**

Equalized Valuation - The determination of the full and fair cash value of all property in the commonwealth that is subject to local taxation. EQVs have historically been used as variables in distributing certain state aid accounts and for determining county assessments and certain other costs. The Commissioner of Revenue, in accordance with M.G.L. Ch. 58 s 10C, is charged with the responsibility of determining an equalized valuation for each town and city in the Commonwealth every two years.

Enterprise Fund – Pursuant to Massachusetts General Law, municipalities can establish enterprise funds to account for services that are delivered on a business-type basis, e.g. water, sewer, trash disposal, golf courses, etc. A municipality adopts an enterprise by a vote of Town Meeting. The enterprise fund establishes a separate accounting and financial reporting mechanism for a municipal service for which a fee is charged in exchange for goods or services. Under enterprise accounting, the service's revenues and expenditures are segregated into a separate fund with its own financial statements, rather than being commingled with the revenues and expenses of all other governmental activities.

Finance Committee Reserve Fund - To provide for extraordinary or unforeseen expenditures in each fiscal year, a town may - at an annual or special town meeting - appropriate or transfer a sum or sums not exceeding in the aggregate five percent of the levy of the fiscal year preceding the fiscal year for which the fund, to be known as the reserve fund, is established. No direct drafts against this fund shall be made,

but transfers from the fund may from time to time be voted by the Finance Committee. At the end of each fiscal year, any unused amount of the Reserve Fund is closed to the surplus of the General Fund.

Free Cash – Also known as Unassigned Fund Balance, this represents the surplus of the General Fund operating budget at the close of a fiscal year resulting from revenues realized in excess of estimates and expenditures less than appropriations plus unused free cash resulting from the prior fiscal year. Use of free cash to support appropriations requires a vote of Town Meeting. The amount of free cash must be certified by the Massachusetts Department of Revenue before it is available for appropriation. Unpaid property taxes and certain deficits reduce the amount of remaining funds that can be certified as free cash.

General Fund - The primary fund used by a government entity. This fund is used to record all resource revenues and expenditures that are not associated with special-purpose funds. The activities being paid for through the general fund constitute the core administrative and operational tasks of a municipality.

Other Post Employee Benefits (OPEB) - Other post employee benefits are benefits, other than pension distributions, paid to employees during their retirement years. The major post-employment benefit in Massachusetts is health insurance.

Overlay Surplus - Excess overlay that is determined to be over and above what is needed to cover abatements and exemptions of property taxes in a given fiscal year. It is determined, certified, and transferred by vote of the Board of Assessors. The use of overlay surplus as a funding source is subject to appropriation by Town Meeting and can be used for any lawful purpose. Any unused balance of overlay surplus at the end of a fiscal year is closed to general fund balance and becomes part of free cash available for appropriation in the subsequent fiscal year.

Retained Earnings – Similar to free cash, retained earnings is the surplus of an enterprise fund budget at the close of a fiscal year resulting from revenues realized in excess of estimates and expenditures less than appropriations plus unused retained earnings carrying over from the prior fiscal year. The use of retained earnings is subject to appropriation by Town Meeting for expenditures related to the enterprise. The amount of retained earnings available for appropriation must be certified by the Massachusetts Department of Revenue before it can be voted by Town Meeting.

Stabilization Funds – Pursuant to Massachusetts General Law, a municipality, through a vote of Town Meeting, may establish one or more stabilization funds and designate the purpose for which each fund is established. The creation of a stabilization fund requires a majority vote of Town Meeting. Appropriation of funds into a stabilization fund is by majority vote. Appropriation of funds out of a stabilization fund requires a two-thirds vote of town meeting. Any interest that is earned from the investment of stabilization fund monies accrues to the stabilization fund. There is no limit on the cumulative balance of all stabilization funds in a municipality.

## POLICY

It shall be the policy of the Town to:

- Maintain reserves to provide the capacity to respond to the costs of unanticipated and extraordinary events, significant reductions in annual revenue streams due to economic disruption, and to provide a source of available funds for future capital expenditures.
- Strive to maintain overall general fund reserves at the level of eight to 12 percent of the annual operating budget.
- Maintain multiple types of reserves, including free cash, stabilization funds, retained earnings, and overlay surplus.

## PROCEDURES

The following procedures and targets shall be implemented to address the policy goals described above.

### Finance Committee Reserve Fund

Annually, the annual operating budget recommendation shall include an appropriation into the Reserve Fund in an amount equal to 0.25 percent of the proposed operating budget.

Every five years, at a minimum, the Finance Committee shall review the history of Finance Committee transfers from the Reserve Fund to determine if the annual appropriation into the Finance Committee Reserve is adequate.

Requests of the Finance Committee for Reserve Fund transfers shall be based on recommendations from department heads submitted to the Town Manager for review and approval, who will then forward to the Committee for action.

### Free Cash

In the development of the proposed annual general fund operating budget, the Town Manager shall strive to estimate revenue and recommend appropriations at a level that will generate free cash at fiscal year-end equal to approximately three percent of the operating budget. As a general rule, the use of free cash will be limited to any, or all, of the following: non-recurring expenditures such as capital spending for the upcoming fiscal year; snow and ice deficits; or extraordinary or unforeseen costs that cannot be financed from the Finance Committee Reserve or through transfers between line items in the operating budget. Further, to the extent practicable, any amounts of free cash certified in excess of three percent of the operating budget shall be appropriated to any, or all, of the following: one or more of the Town's stabilization funds; and to offset unfunded liabilities, e.g. other post-employment benefits (OPEB).

### Stabilization Funds

**General Stabilization Fund** - The Town shall create a general stabilization fund whose primary purpose is to replace declines in general fund revenue due to economic downturn. The target level of the fund shall be ten percent of the general fund operating budget by the year 2050., an amount estimated to support

the operating budget through three years of economic downturn. To achieve this target, the Town shall strive to annually appropriate to the general stabilization fund a minimum of \$250,000 from general fund operating revenues and other non-recurring sources, e.g., some portion of certified free cash in excess of 3 percent of the operating budget (see above). (To meet the target, contributions to the Stabilization Fund shall be complemented with returns on investment of the Fund's balance which accrue to the Fund.) Once the target level of the fund is reached, if any use of the fund reduces the balance below the target level, the Town Manager and Finance Director/Town Accountant will develop a detailed plan to return the fund to its target level within the following two fiscal years.

**Special Purpose Stabilization Fund(s)** – The Town shall create one or more special purpose stabilization funds as a repository for funds to finance selected future capital needs as identified through the Town's annual capital planning process (see Town of Oxford, Capital Planning policy) on a pay-as-you-go basis, or to subsidize debt service of large capital projects, e.g., municipal or school construction, to mitigate the impact on taxpayers. Sources of financing appropriations into special purpose stabilization funds would generally be non-recurring revenues including but not limited to free cash and overlay surplus. Consideration should be given to dedicating a portion of general fund operating revenue to fund this fund(s). Creation and use of this fund preserves the Town's debt capacity for major capital projects.

Overlay Surplus (see Town of Oxford, Overlay: Annual Amount, Overlay Surplus and Account Reconciliation policy)

Overlay surplus shall be reserved for non-recurring costs such as direct capital expenditures, contributions to the general stabilization fund or a special purpose stabilization fund, or to finance unfunded liabilities, e.g., OPEB.

#### Retained Earnings

In the development of the proposed annual budget for its sewer enterprise fund (see Town of Oxford, Enterprise Fund policy), the Town Manager shall strive to estimate revenue and recommend appropriations at a level that will generate retained earnings at fiscal year-end equal to approximately 20 percent of the operating budget. The rationale for this level of retained earnings is as follows:

- To cover potential revenue shortfalls in any given fiscal year;
- To finance unanticipated, extraordinary expenditures not provided for in the adopted annual budget;
- To provide cash flow for the fund to preclude the use of the Town's pooled cash to fund sewer operations which would have a negative impact on general fund interest income; and
- For rate stabilization.

In addition, the Town should consider adding to the sewer rate a component that would accrue to retained earnings and be available to finance selected future capital needs as identified through the Town's annual capital planning process. These amounts could accumulate as unappropriated retained earnings until the capital need arises, or could be appropriated annually into a special purpose stabilization fund created to fund sewer capital projects.

## REFERENCES

## Town of Oxford, Capital Planning policy

## Town of Oxford, Overlay: Annual Amount, Overlay Surplus and Account Reconciliation policy

## Town of Oxford, Enterprise Fund policy

## DLS Best Practices: Free Cash and Special Purpose Stabilization Funds

DLS Departmental Procedure Manual: Enterprise Funds

## DLS Informational Guideline Releases 17-20: Stabilization Funds and 17-23: Overlay and Overlay Surplus

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

**ADOPTED BY:**

Jennifer Callahan, Town Manager

Katie McKenna, Finance Director/Town Accountant

**DATE ADOPTED:**

3/8/2021

## **A-6 Investments**

### **PURPOSE**

The purpose of this policy is to establish guidelines to govern the investment of Town funds by the Treasurer/Collector. It pertains to the investment of revenue of a variety of funds (e.g., General, Enterprise, Revolving, Special Revenue, Agency), as well as trust funds including but not limited to stabilization funds and the Other Post-Employment benefits (OPEB) trust fund. It does not pertain to investment of pension funds for Oxford employees, which is invested and managed by the Worcester Regional Retirement System.

### **APPLICABILITY**

This policy applies to the Treasurer/Collector regarding his/her duties to invest and manage Town funds and to the Finance Director/Town Accountant regarding his/her duty to oversee the management of Town finances.

### **DEFINITIONS**

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

Safety –The degree to which investment principal is protected which is achieved through the mitigation of credit risk and interest rate risk

Liquidity – The degree to which invested cash is readily accessible to finance the cost of current operations

Yield – The interest rate on an investment

Massachusetts Municipal Depository Trust (MMDT) – An investment pool for state, local, county governments, and other independent governmental authorities under the auspices of the Treasurer of the Commonwealth.

Repurchase agreement (repo)- A form of short-term borrowing for dealers in government securities. In the case of a repo, a dealer sells government securities to investors, usually on an overnight basis, and buys them back the following day at a slightly higher price.

### **POLICY**

It shall be the policy of the Town of Oxford as follows:

- That the Treasurer/Collector shall have the authority and responsibility to invest all Town funds subject to the requirements of all federal and state law and regulations governing the investment of municipal funds, including arbitrage restrictions on the investment of bond proceeds;
- That the Treasurer/Collector will invest funds in a manner that meets the Town's daily operating cash flow requirements;

- That the Treasurer/Collector shall seek the highest possible return on investment taking into consideration the following in the priority order shown when investing Town funds:
  - Safety
  - Liquidity
  - Yield;
- That the Treasurer/Collector may invest in the following instruments:
  - The MMDT
  - U.S. Treasuries up to one-year maturity from the date of purchase
  - U.S. Agency obligations up to one-year maturity from the date of purchase
  - Bank accounts and certificates of deposit up to one year fully insured by the FDIC and in some cases also Depository Insurance Fund of Massachusetts (DFIM)
  - Unsecured bank deposits such as checking, savings and money market accounts and certificates of deposits (with maturities not greater than three months) not covered in the categories above, with the amount invested limited to no more than five percent of an institution's assets and no more than ten percent of a municipality's cash. The credit worthiness of the institution shall be tracked by a credit worthiness reporting system such as Veribanc or Sheshunoff.
  - Repurchase agreements;
- That the Treasurer/Collector shall seek to diversify the Town's investments in terms of maturity as well as instrument type and issuer. Diversification should include prohibition against the over-concentration of maturities and investments in a single institution. With the exception of U.S. Treasury obligations or investments fully collateralized by U.S. Treasuries or agencies, and state pools (e.g., the MMDT), no more than ten percent of the Town's investments shall be invested in a single financial institution;
- That the Town, through its Town Manager and Finance Director/Town Accountant, set performance expectations that the Treasurer/Collector, and any assistant Treasurer, act in strict adherence with the state conflict of interest law; and
- To make overall investment decisions in accordance with "prudent person" standards under MGL c. 203C or as otherwise allowed by state law.

## **PROCEDURES**

The following procedures shall be followed by the Treasurer/Collector in executing his/her investment responsibilities:

- Upon receipt of statements of interest earned, post to the Treasurer's cash book and transmit earnings information to the Finance Director/Town Accountant for posting to the general ledger.
- For any Brokerage houses and brokerage dealers wishing to do business with the Town, the Treasurer/Collector will require submittal of the following information for review:
  - Audited financial statements
  - Proof of National Association of Security Dealers certification
  - A statement from the dealer that the dealer has read the Town's investment policy and will comply with it
  - Proof of credit worthiness (minimum standards at least 5 years in operation and minimum capital of 10 million dollars)
- No later than 30 days after fiscal year-end, the Treasurer/Collector will prepare a report for transmittal to the Finance Director/Town Accountant to include the following:
  - A listing of the individual accounts and individual securities held as of June 30
  - A listing of the short-term investments portfolio by security type and maturity to demonstrate compliance with the diversification and maturity guidelines of this policy
  - A summary of income earned on a monthly basis and at fiscal year-end

## REFERENCES

M.G.L. c. 29, § 38A	M.G.L. c. 44, § 54
M.G.L. c. 44, § 55	M.G.L. c. 44, § 55A
M.G.L. c. 44, § 55B	M.G.L. c. 167, § 15A
M.G.L. c. 203C	M.G.L. c. 268A

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

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

Massachusetts Collectors' and Treasurers' Association - [Investment Policy Statements](#)

## ADOPTED BY:

Jennifer Callahan, Town Manager

Katie McKenna, Finance Director/Town Accountant

## DATE ADOPTED:

3/8/2021

## **A-7 Other Post-Employment Benefits (OPEB)**

### **PURPOSE**

At retirement, in addition to eligibility for a pension - funded partly by an employee's regular contributions to a pension fund while an active employee - municipal employees in the Commonwealth are entitled to receive what is referred to as Other Post Employment benefits (OPEB) which include post-retirement health insurance and may also include dental and life insurance. The Town's share of this future benefit for current retirees, as well as the future benefit for current active employees (future retirees), if not funded annually results in an ever-increasing unfunded liability that, when it comes due, can have severe impacts on a municipality's operating budget.

To ensure fiscal sustainability, this policy sets guidelines for a responsible plan to meet the Town's obligation to provide other post-employment benefits for current and future retirees.

### **APPLICABILITY**

This policy encompasses OPEB-related budget decisions, accounting, financial reporting, and investment and applies to the Board of Selectmen and Finance Committee in their budget decision-making capacity; to the Town Manager with responsibility of recommending the proposed annual budget; and to the OPEB-related job duties of the Treasurer/Collector and Finance Director/Town Accountant.

### **DEFINITIONS**

Annual Required Contribution – An actuarially calculated amount which if appropriated annually will retire a municipality's unfunded OPEB liability over a prescribed schedule.

Governmental Accounting Standards Board (GASB) - An independent, private-sector organization that establishes accounting and financial reporting standards for U.S. state and local governments that follow Generally Accepted Accounting Principles (GAAP).

OPEB Trust Fund - A trust fund established by a governmental unit for the deposit of appropriations, gifts, grants and other funds for the benefit of retired employees and their dependents; payment of required contributions by the governmental unit for the group health insurance benefits provided to employees and their dependents after retirement; and, reduction and elimination of the unfunded liability of the governmental unit for those benefits. It is an expendable trust fund, subject to appropriation, that is managed by a trustee or board of trustees.

State Retiree Benefit Trust Fund (SRBTF) - an investment vehicle established by Massachusetts law and managed by the Massachusetts Pension Reserves Investment Management Board (PRIM) that enables political subdivisions of the Commonwealth to invest funds set aside to fulfill other-post-employment-benefits (OPEB) for retirees such as healthcare or dental coverage in retirement

### **POLICY**

It shall be the policy of the Town as follows:

- The Town is committed to a disciplined and methodical annual funding of the long-term cost of OPEB due its current and future retirees.
- The Town will engage the services of an actuary every year to perform an updated actuarial valuation of its OPEB liability as a source of information for decision makers about progress toward funding of the liability and to comply with reporting requirements promulgated by the GASB.
- The Town will periodically assess strategies to mitigate its OPEB liability by evaluating the structure of benefits offered 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.

## **PROCEDURES**

### Accounting for and Reporting the OPEB Liability

Every year, the Finance Director/Town Accountant will engage the services of an actuary to conduct a valuation of the Town's OPEB liability to be transmitted to the Town's independent auditor for integration into the Town's annual financial statements in compliance with guidelines of the GASB

Upon completion of an actuarial valuation, the Finance Director/Town Accountant shall transmit the document to the Town Manager, which in turn shall be transmitted to the Board of Selectmen and Finance Committee for their information and consideration.

### Trust Management and Investment

Appropriations by Town Meeting into the Town's OPEB Trust Fund are to be invested by the Trustees of the Fund consisting of the Town Accountant, Treasurer, Chairman of the Board of Selectmen, Chairman of Finance Committee, and Chairman of the Personnel Board. The Trustees will manage the Fund in conformance with the Town's investment policy and the State's prudent investor laws (see Town of Oxford, Investment policy).

On an annual basis, the Town will evaluate its option to invest the OPEB trust with the State Retiree Benefit Trust Fund.

### Mitigation

On an ongoing basis, the Town will assess health care cost containment measures and evaluate strategies to mitigate its OPEB liability. The Finance Director/Town Accountant will monitor proposed laws affecting OPEBs and Medicare and analyze their impacts.

The Treasurer/Collector and the Department of Human Resources 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.

### OPEB Funding Strategies

To address the Town's OPEB liability, the Town Manager will annually recommend a funding schedule to the Board of Selectmen and Finance Committee based on the most recent actuarial valuation and review that schedule following the issuance of an updated actuarial valuation. Potential sources of funding for the annual appropriation to the OPEB Trust Fund may include, but not be limited to, general fund revenue, free cash, and overlay surplus. In addition, the Town Manager's recommended enterprise fund budget(s) shall include a line item to fund all or part of the enterprise operations annual share of the Town's OPEB liability, to be funded through user charges.

To move toward full funding of the actuarially-derived Annual Required Contribution to the OPEB Trust Fund, the Town Manager and Finance Director/Town Accountant shall periodically evaluate the potential of the following:

- Transfer unexpended funds from insurance line items to the OPEB trust fund;
- Appropriate amounts equal to the Town's Medicare Part D reimbursements;
- Determine and commit to appropriating an annual portion of free cash;
- Appropriate an annually increasing percentage of General Fund revenue; and
- At a future time when the pension reserve for Oxford employees is fully funded, direct any reduction in the Town's annual pension assessment to the OPEB Trust Fund.

## **REFERENCES**

M.G.L. c. 32B, § 20

M.G.L. c. 32B, § 20A

M.G.L. c. 44, § 54

M.G.L. c. 44, § 55

M.G.L. c. 203C

Town of Oxford, [Investment Policy](#)

Town of Oxford, [Financial Reserves Policy](#)

GASB Statements 75: [Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions](#) and 74: [Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans](#)

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

May 4, 2011 Annual Town Meeting vote creating the Town's OPEB Trust Fund

## **ADOPTED BY:**

Jennifer Callahan, Town Manager

Katie McKenna, Finance Director/Town Accountant

## **DATE ADOPTED:**

3/8/2021

## **A-8 Overlay: Annual Amount, Overlay Surplus, Account Reconciliation**

### **PURPOSE**

The purpose of this policy is to 1) set guidelines for determining the amount of overlay to be established annually, 2) describe the process for determining the amount of overlay that can be declared overlay surplus, and 3) formalize the process of reconciling the overlay balance maintained by the Assessors to the balance shown in the general ledger to insure general ledger accuracy. Failure to reconcile the overlay can hamper the Town's ability to maintain accurate records, to make reliable estimates of overlay that can be declared overlay surplus, to produce reliable financial reports, to close its books, to make timely submissions to the Massachusetts Department of Revenue, Division of Local Services (DLS), and to complete audits.

### **APPLICABILITY**

This policy applies to the job duties of the Board of Assessors, Finance Director/Town Accountant, as well as to the Board of Selectmen's responsibility in reviewing the recommended annual budget and Finance Committee's responsibility as advisor to Town Meeting on financial matters.

### **DEFINITIONS**

Appellate Tax Board (ATB) - The ATB hears and rules on appeals filed by property owners of property valuations established by municipal boards of assessors.

General Ledger - A bookkeeping ledger that serves as a central repository for accounting data for an organization. Each account maintained by the organization is known as a ledger account, and the collection of all these accounts is known as the general ledger. The general ledger is the backbone of any accounting system which holds financial and non-financial data for the organization.

Overlay – Formally known as the Allowance for Abatements and Exemptions, this is a single account to fund abatements and exemptions of committed real and personal property taxes for any fiscal year. The overlay amount is determined annually by the Board of Assessors and may be raised in the tax rate without appropriation. The account may also be charged in the event property taxes are deemed to be uncollectible.

Overlay Surplus - Excess overlay that is determined to be over and above what is needed to cover abatements and exemptions of property taxes in a given fiscal year. It is determined, certified, and transferred by vote of the Board of Assessors to a Fund Balance Reserved for Overlay Released by the Assessors for Expenditures (i.e. overlay surplus). The use of overlay surplus as a funding source is subject to appropriation by Town Meeting, and it can be used for any lawful purpose. Any unused balance of overlay surplus at the end of a fiscal year is closed to general fund balance and becomes part of free cash available for appropriation in the subsequent fiscal year.

## **POLICY**

It shall be the policy of the Town as follows:

- To protect against adverse effects on the Town's financial condition, it shall be the policy of the Board of Assessors to establish the annual overlay at a level required to fund reasonable projections of property tax abatements and exemptions to be granted and accounts that may ultimately be deemed uncollectible;
- To recognize that amounts of overlay that can annually be declared overlay surplus is a source of revenue that is effectively non-recurring in nature and therefore, as a general rule, should be appropriated for non-recurring operating budget or capital expenditures; and
- To regularly reconcile overlay balances tracked by the Assessing Department with that balance maintained by the Finance Director/Town Accountant in the general ledger.

## **PROCEDURES**

### Annual Overlay

Pursuant to Massachusetts General Law, it is the responsibility of the Board of Assessors to determine the amount of overlay to be raised in each upcoming fiscal year. Given that the overlay is an important consideration in developing the Town's annual operating budget, the Board of Assessors shall provide a timely determination in response to a request of the Finance Director/Town Accountant. The determination of the amount of overlay to be established shall be by vote of the Board of Assessors in an open meeting.

It is noted that effective November 7, 2016, the Municipal Modernization Act (Chapter 218 of the Acts of 2016) provided for municipalities to maintain a single overlay account, where formerly they were required to maintain separate overlay accounts for each fiscal year. Notwithstanding this change, the Town will continue to maintain separate accounts by fiscal year to facilitate reconciliations and to provide historical data by fiscal year to facilitate comparative analyses.

The determination of the annual overlay shall be based on the consideration of the following.

- Current cumulative balance among all annual overlay accounts;
- Five-year average of annual abatements and exemptions granted;
- Potential abatement liability in cases pending before the Appellate Tax Board (ATB); and
- Timing of the next certification review of property values by the Massachusetts Department of Revenue, Division of Local Services (scheduled every five years).

### Overlay Surplus

As part of the annual budget process, the Finance Director/Town Accountant and the Town Assessor shall conduct an analysis of the overlay to determine the amount, if any, that can be declared overlay surplus. The analysis shall consider the following:

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

Upon determining any excess in the overlay account, the Town Assessor shall present the analysis to the Board of Assessors for its review.

If it is the recommendation of the Finance Director/Town Accountant and the Town Manager that all or some of the overlay identified as surplus is needed to support proposed spending, that recommendation shall be transmitted to the Board of Assessors, and the Board of Assessors shall convene to consider a vote to transfer overlay to overlay surplus within 10 days of such request. Notification of that vote shall be made to the Finance Director/Town Accountant and the Town Manager.

### Reconciliation of Overlay Accounts

Pursuant to Massachusetts General Laws, the Town Assessor shall maintain an abatement book containing a record of all abatements and exemptions granted which shall, for each abatement or exemption granted, show the following:

- the name of the assessed owner;
- the fiscal year of the tax;
- the amount assessed;
- the amount abated or exempted;
- the date the abatement was granted; and
- for exemptions granted, the statutory provision under which it was granted.

Upon the granting of an abatement or exemption, the Town Assessor shall notify the Treasurer/Collector and the Finance Director/Town Accountant of each abatement.

Upon notification, the Finance Director/Town Accountant shall post entries to the general ledger reducing the overlay account (Allowance for Abatements and Exemptions) and property tax receivables.

The Town Assessor shall maintain a spreadsheet showing the beginning balance of the overlay account for each fiscal year, abatements and exemptions granted against each fiscal year, and the current remaining balance of the overlay for each fiscal year.

No later than 5 business days following the end of each fiscal year quarter, the Town Assessor shall transmit to the Finance Director/Town Accountant the quarter-ending balances of overlay accounts by fiscal year. The Finance Director/Town Accountant shall compare these balances to the overlay balances in the general ledger. Any discrepancies will be noted and transmitted to the Town Assessor for investigation and resolution by the Town Assessor no later than 30 days following the ending of the fiscal year quarter.

## REFERENCES

## Chapter 218 of the Acts of 2016

## Town of Oxford, Financial Reserves policy

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

**ADOPTED BY:**

Jennifer Callahan, Town Manager

Katie McKenna, Finance Director/Town Accountant

**DATE ADOPTED:**

3/8/2021

## **A-9 Enforcement of Property Tax Collections**

### **PURPOSE**

The purpose of this policy is twofold: (1) to communicate clearly to all taxpayers the procedure the Town will follow to preserve its rights and fulfill its duties to collect taxes and (2) to contribute to the stability of the Town's financial condition by maximizing the collection of taxes.

The property tax levy comprises the majority of annual revenues, approximately 60 percent, that support the Town's operating budget. On average, the Town collects approximately 98 percent of the amount billed by June 30 of the year in which it is levied. As a matter of fairness to those who pay their taxes timely, the Town should pursue all legal remedies available to it in order to ultimately collect from those taxpayers who are delinquent.

### **APPLICABILITY**

This policy applies to the taxpayers of the Town, the Treasurer/Collector who has the primary responsibility for the collection of taxes and enforcement of collections, and the Assessor and Finance Director/Town Accountant regarding enforcement of the collection of personal property taxes. Secondary enforcement responsibility rests with Town departments responsible for the issuance of licenses and permits, and outside legal counsel, as needed.

### **DEFINITIONS**

Real Property - For local tax purposes, this is defined as land, buildings, and things thereon or affixed thereto.

Personal Property - Composed of goods, merchandise, equipment, tools, machinery, furniture, furnishings and effects, and other movable property.

Demand Letter – A letter to taxpayers issued after a fiscal year's last tax payment is due to inform them that their taxes are delinquent and need to be paid.

Tax Taking - Real estate taxes which remain unpaid after the issuance of a Demand Letter are subject to the tax taking process, which, if carried to its conclusion, results in a municipal tax lien being placed on the property that secures ultimate payment of the delinquent tax.

Tax Title – A lien placed on property to enforce the collection of property taxes which is removed when the property tax account is paid in full. If the property taxes are not paid, the Town may file at Massachusetts Land Court to foreclose and take possession of the property.

### **POLICY**

It shall be the policy of the Town to:

- pursue all legal remedies available to it under law and by-law to maximize the payment of taxes by the end of the fiscal year in which the taxes were levied;

- to expedite the payment of those accounts that are delinquent beyond the end of the fiscal year in which the taxes were levied; and
- for those accounts that continue to be delinquent, to secure the right of the Town to ultimately collect taxes outstanding.

It shall be the policy of the Town that among these remedies will be the withholding, suspension, or revocation of licenses and permits of delinquent taxpayers.

#### Demands

The Town issues semi-annual tax bills. Typically, the actual tax bill for a fiscal year is issued on December 31 and is due April 1.

On or about the day after the second annual tax payment is due, typically April 2, demand letters shall be issued to the assessed owners of properties whose tax payments are overdue. These demands shall apply to unpaid real property and personal property taxes. Demand letters shall not be issued to those who have been granted full exemptions of taxes due, or those who have automatic stays on record due to bankruptcy filings. The demand letters shall be sent to the assessed owners' last or usual place of residence or business, or alternatively, to the address best known to the Collector.

The Treasurer/Collector shall, as a matter of law, allow a minimum of fourteen (14) days for payment before pursuing additional enforcement remedies for unpaid real property taxes, i.e., a tax taking, provided for by statute.

(Per Massachusetts General Laws, issuance of a demand is a prerequisite to a valid tax taking (see below)).

#### Tax Taking

After the expiration of 14 days from the date of issuance of a demand letter, a municipality can, pursuant to Massachusetts General Laws, initiate a tax taking which "perfects and secures" the municipality's lien on the real estate.

Notwithstanding the fact that a municipality has 3 1/2 years from the end of the fiscal year for which the taxes were assessed to "secure", or "perfect", the tax liens, it shall be the policy of the Town to initiate tax takings no later than 90 days after the expiration of the 14-day period following the issuance of a demand letter.

Though not required by law, as a courtesy prior to the initiation of a tax taking, it shall be the policy of the Town to issue at least one courtesy enforcement letter to delinquent property owners describing the Town's intent to initiate a tax taking and give the owner the opportunity to pay overdue taxes to avoid such taking. The letter shall be issued by the Treasurer/Collector approximately one month prior to the initiation of the tax taking.

If the courtesy enforcement letter does not result in full remittance of amounts due, the Treasurer/Collector shall publish a Notice of Tax Taking in the local newspaper and post the notice in two or more convenient public places.

No earlier than 14 days after the publication of the Notice of Tax Taking but no more than 60 days after the publication, the Treasurer/Collector shall 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.

After performing the takings, the collector shall prepare, in triplicate, a list of Recorded Takings to be set up as tax title accounts, giving one to the Treasurer, one to the Finance Director/Town Accountant, and retaining one for the Collector's records. The Finance Director/Town Accountant shall adjust the general ledger by reducing property taxes receivable and increasing tax titles receivable.

The Treasurer shall set up a separate Tax Title Account for each parcel of real estate included in a list of recorded takings. Each Tax Title Account must contain the following information:

- Name and address of person assessed;
- Name(s) of subsequent owner(s);
- Date of taking;
- Legal description and location of property;
- Book and page of the recording of the Instrument of Taking or, in the case of registered land, certificate and document number;
- Unpaid tax amount for the year(s) for which the property was taken;
- Other additional costs, such as betterments, utility charges, district taxes etc.;
- Collector's interest to the date of taking;
- Collector's fees and charges, as outlined in Ch. 60 §15; and
- Subsequently certified taxes.

#### Personal Property

Unlike real property taxes, there is no statutory mechanism to record a lien against personal property to secure collection of outstanding personal property taxes. Notwithstanding this fact, the Treasurer/Collector, with the assistance of the Assessor, shall take the following measures to pursue collection of delinquent personal property taxes.

If, following the issuance of a demand letter for unpaid personal property taxes, as described above, personal property accounts remain unpaid, the Treasurer/Collector shall explore the costs and benefits of the following collection remedies:

- Bringing a civil action against the assessed owner. G.L. c. 60, § 35. Actions to collect personal property taxes may be brought in the small claims session of district court (M.G.L. c. 218, § 21).
- Withholding any money owed by the municipality to the taxpayer and set it off against the obligations of the taxpayer under M.G.L. c. 60, § 93.

The Treasurer/Collector shall periodically review delinquent accounts with the Assessor to determine if the taxes are uncollectible because the taxpayer is dead, absent, bankrupt, insolvent, or otherwise unable to pay. If it is determined that such is the case, the Collector shall notify the Board of Assessors in writing that the delinquent taxes are uncollectible. Within 30 days of such notification the Board of Assessors

must review the request and certify to the Treasurer/Collector its agreement with the Collector's recommendation and notify the Treasurer/Collector and the Finance Director/Town Accountant accordingly.

Upon determination that an account is deemed uncollectible, the Assessor shall reduce the account receivable recorded in the Assessor's commitment for the year of levy and the Finance Director/Town Accountant shall reduce the personal property receivable in the general ledger by the amount of the unpaid tax and post an offsetting entry to the Allowance for Abatements and Exemptions (the Overlay account).

In any case, if an account remains delinquent following the end of five fiscal years after the tax is levied, it shall be deemed uncollectible and written off per the procedure described above.

#### Subsequent Taxes

Once a lien is recorded on a parcel for unpaid taxes in a given year, there is no need, nor is there a provision in the law, to record an additional lien on the parcel.

If in a fiscal year subsequent to the taking of a parcel a taxpayer is delinquent on that year's taxes after the issuance of a demand bill, the Collector shall certify to the Treasurer - no later than September 1<sup>st</sup> of the year following the assessment of the taxes – that the unpaid real property taxes be applied to that parcel's tax title account. Such certification shall be reported to the Finance Director/Town Accountant so that adjustments to property tax receivables and tax titles receivable can be made to the general ledger.

#### Interest, Fees, and License and Permit Denials, Suspensions and Revocations

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

If a real or personal property tax remains unpaid by the end of the fiscal year following the year of levy, the Collector shall notify each department, board, commission, or division of the municipality that issues licenses and permits of the delinquent party, and such notification shall, pursuant to M.G.L. c. 40, § 57 and in accordance with Town By-Laws, serve as the basis for the denial, revocation, or suspension of any license or permit

#### Redemption or Foreclosure

At least once every year, the Treasurer shall review all tax title properties that are older than 180 days and do not have payment agreements or bankruptcy recordings.

From this list, the Treasurer shall identify at least the ten largest tax title accounts as potential candidates for foreclosure. Histories of the properties shall be compiled to determine their prior use and any potential liabilities that may arise from their histories. Upon completion of a review of the candidate properties, selected properties shall be referred to a tax title attorney to aggressively pursue foreclosure in Land Court.

The Treasurer, as manager of the service contract with the tax title attorney, will work with the attorney to prepare parcels in tax title status for foreclosure, by providing each Instrument of Taking. The attorney will research the tax title properties and will mail new collection enforcement letters to the taxpayers informing them of the initiation of foreclosure proceedings and the opportunity to preclude foreclosure by redeeming the property.

If a taxpayer or other party pays the outstanding amount on a tax title property, the Treasurer 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	M.G.L. c. 40, § 57

Oxford bylaws Chapter **53**, Section **3**: Denial or Revocation of License or Permit for Nonpayment of Local Taxes, Fees or Other Charges

DLS Best Practice: [Enforcing Collections](#)

DLS Informational Guideline Releases 05-208: [Payment Agreements and Tax Receivable Assignments and Land of Low Value Foreclosure Valuation Limit](#) updated annually

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

## ADOPTED BY:

Jennifer Callahan, Town Manager

Katie McKenna, Finance Director/Town Accountant

## DATE ADOPTED:

3/8/2021

## **A-10 Tax Rate Setting**

### **PURPOSE**

The culmination of the annual budget process in Massachusetts municipalities is the setting of the property tax rate(s). Actual tax bills cannot be issued until a Residential Factor is adopted by the Board of Selectmen and a tax rate(s) resulting from such factor is reviewed and approved by the Massachusetts Department of Revenue, Division of Local Services (DOR). Property taxes are the major component of the Town's revenue that supports the Town's annual operating budget. Ensuring the tax bills are issued timely is critical to the Town's financial health.

The purpose of this policy is to formalize the steps that lead to the issuance of tax bills and to identify the parties responsible for those steps.

### **APPLICABILITY**

This policy applies to:

- The Town Manager - with critical support from the Finance Department including the Finance Director/Town Accountant, Treasurer Collector and Board of Assessors – with the responsibility to develop and recommend the annual operating budget;
- The Board of Selectmen given its responsibility to adopt a Residential Factor; and
- The Town Clerk given his/her responsibility to certify certain documents that must be submitted to the DOR to obtain approval of an annual tax rate.

### **DEFINITIONS**

Residential Factor – A factor adopted by the Board of Selectmen based on the total amount of property taxes to be levied and the assessed valuation of property that determines the share of the levy to be borne by each of four classes of taxable property: residential, commercial, industrial and personal.

Tax Rate Recapitulation Sheet (Recap Sheet) – A series of worksheets developed by the Massachusetts Department of Revenue (DOR) that must be submitted annually by each Massachusetts municipality to the DOR to obtain its approval of a tax rate. It depicts the appropriations voted by Town Meeting for the annual operating budget and the revenues estimated to support the budget. It presents, among other things, the variables used to calculate the tax rate, the amount of property taxes to be levied and the property values established by the Board of Assessors; and, demonstrates that the budget is balanced as required by Massachusetts General Law and that the property taxes supporting the budget comply with the limits of Proposition 2½.

Tax Classification Hearing – Pursuant to Massachusetts General Law, a hearing held by the Board of Selectmen as part of the tax rate setting process to determine the Residential Factor: the percentage share of the tax levy that each class of property – residential, open space, industrial, commercial, personal - will bear.

Tax Levy Limit – Pursuant to Massachusetts General Law, the maximum property tax levy that can be billed in a given fiscal year which is a function of the prior year's levy limit, an increase in that limit of 2 ½ percent, an increase attributable to new growth (a function of the value of new construction in the prior year), and increases attributable to levy limit overrides, debt exclusions, and/or capital exclusions approved by town wide referendum.

## **POLICY**

The steps culminating in the setting of an annual tax rate shall be coordinated by the Town Manager, or his/her designee(s).

The target date of the Board of Selectmen to adopt a Residential Factor shall be the 3<sup>rd</sup> Tuesday in October of each year but no later than November 30.

The process of adoption of a Residential Factor shall be conducted at one meeting of the Board of Selectmen to include:

- A tax classification information session in which the Town Manager or his/her designee(s) shall make a presentation that includes but is not limited to:
  - Property values by class and their change from the prior fiscal year;
  - Each class of property as a percent of total value and the change in percentages from the prior fiscal year;
  - The tax levy limit for the fiscal year, the factors in its increase, and the change from the prior year;
  - Options for shifting the tax burden from residential/open space to commercial/industrial/personal; and
  - The projected tax bill for the home of average and median value, and for commercial and industrial properties of average value, based on selected tax rate options.
- A tax classification hearing to allow for public comment and to vote on a Residential Factor.

The Treasurer/Collector shall mail the actual tax bills no later than December 31 each year.

## **PROCEDURES**

The following outlines the steps that need to be completed in the annual budget process (see Town of Oxford, Annual Budget Process policy) to successfully culminate in the timely setting of the annual tax rate by the Board of Selectmen, its approval by DOR and the timely issuance of tax bills.

### Adoption of a balanced budget

Based on the recommendation from the Town Manager of (1) the proposed operating budget - including estimates of revenue to effect a balanced budget that will survive ultimate review by DOR - and (2) other proposed financial articles, the Board of Selectmen shall approve them for transmittal to the Annual Town Meeting.

The Board of Selectmen, through the Town Manager, Town Counsel, and Bond Counsel, will develop the Annual Town Meeting warrant and motions for approval of all financial articles by Town Meeting members that meets all legal and procedural requirements.

If after the completion of the Annual Town Meeting, circumstances require the convening of a Special Town Meeting to make adjustments to the adopted budget – reductions in or supplements to appropriations – or appropriations for new special articles, such changes shall be presented to the Board of Selectmen for review, approval and transmittal to Town Meeting; and the Board, through the Town Manager, Town Counsel, and Bond Counsel, will develop the Special Town Meeting warrant and motions for approval of all financial articles by Town Meeting members that meets all legal and procedural requirements.

#### Preparation of the Tax Rate Recapitulation Sheet

The Finance Director/Town Accountant shall oversee and coordinate the completion of worksheets that comprise the Tax Rate Recapitulation Sheet and its submittal to the DOR. Completion of all worksheets and submittal to the DOR must occur no later than the day following the adoption of a Residential Factor by the Board of Selectmen.

Upon request by the Finance Director/Town Accountant per a schedule developed by him/her, the following shall provide the data requested and populate the related worksheets of the Tax Rate Recapitulation Sheet.

- Town Clerk – enter voted appropriations in page 4 of the Recap Sheet and certify them
- Assessors -
  - Complete the property sales report (Form LA-3) for all sales over \$1,000 and submit it to DLS for approval by September 15 of each year;
  - Analyze market conditions, set final property values in compliance with DLS certification standards, and procure timely review and certification by DOR;
  - 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) by September 1 of each year;
  - 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) by September 1 of each year; and
  - Provide the Finance Director/Town Accountant with data needed to complete the Overlay Worksheet (OL-1).
- Finance Director/Town Accountant - From the Town Meeting authorizations certified by the Town Clerk, complete the following worksheets as applicable:
  - Enterprise Funds (Form A-2);
  - Free cash used (Form B-1);
  - Available funds used to include any reserved bond premium amounts used as a funding source for capital articles (Form B-2);
  - Debt Exclusion Report including any use of reserved bond premiums (Form DE-1);

- Overlay (Form OL-1);
- Report all prior year deficits incurred that must be funded and presented on the tax recap sheet (page 2 of the Tax Recap); and
- Report the actual amounts received in the prior fiscal year and estimates for the current fiscal year for each type of local receipt (page 3, column (a) of the Tax Recap).
- Treasurer/Collector - Assist the Finance Director/Town Accountant in the preparation of the debt exclusion report (Form DE-1).

## REFERENCES

## Town of Oxford, Annual Budget Process policy

Department of Revenue, Division of Local Services Training Publications:

- New Officials Financial Handbook
- Assessors Course 101 Handbook Chapter 5: Setting the Tax Rate

**ADOPTED BY:**

Jennifer Callahan, Town Manager

Katie McKenna, Finance Director/Town Accountant

**DATE ADOPTED:**

3/8/2021

## **B. FINANCIAL OPERATIONS POLICIES**

### **B-1 Cash and Receivables Reconciliations**

#### **PURPOSE**

The purpose of regular reconciliations of cash and accounts receivable is to ensure revenue transactions are in balance, mitigate fraud, and safeguard general ledger accuracy. Failure to reconcile cash and accounts receivable hampers the Town's ability to produce reliable revenue reports, maintain accurate records, 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 by the Town's independent auditor.

#### **APPLICABILITY**

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

#### **DEFINITIONS**

**Accounts Receivable** – Outstanding amounts owed to the Town resulting from the issuance of bills for property taxes, motor vehicle excise taxes, and charges for services, i.e., utility bills. (Accounts receivable resulting from invoices issued for police details are addressed in a separate policy.)

**Accounts Receivable Control Account** – A record of original entry in which the record-keeper for the department issuing the bills reduces the total amount committed by amounts collected and abatements and exemptions granted, and increases it by refunds issued.

**Cashbook** – A ledger maintained by the Treasurer that tracks the Town's running balance of cash-on-hand in which is recorded all cash receipts, disbursements, and interest earned on investment of Town funds.

**Commitment** – For each billing cycle, (1) in the case of a real estate tax commitment, a list of land parcels in the Town subject to the property tax, showing for each parcel the amount of the tax due and the name and address of the person liable for payment, and (2) in the case of a motor vehicle excise tax or utility commitment, a list of the individual accounts, the amount charged for each account and the name and address of the person liable for payment.

**General Ledger** - A bookkeeping ledger that serves as a central repository for accounting data for an organization. Each account maintained by the organization is known as a ledger account, and the collection of all these accounts is known as the general ledger. The general ledger is the backbone of any accounting system which holds financial and non-financial data for the organization.

## 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 the sum of all receivable balances from the commitment with the accounts receivable control account. Any variance shall be researched and resolved. Upon resolution, the department shall forward the receivables balance to the Finance Director/Town Accountant for comparison with the receivables control account in the general ledger. If the amounts do not match, the department and the Finance Director/Town Accountant shall determine the reasons for any variance (e.g. missing information, errors, and/or timing differences).
- No later than 5 days after receiving bank statements, the Treasurer/Collector shall reconcile the cashbook to the bank statements and reconcile any differences between the two. The Treasurer/Collector shall then transmit the reconciled balance to the Finance Director/Town Accountant for comparison to the cash control account in the general ledger. If the amounts do not match, the Treasurer/Collector and the Finance Director/Town Accountant shall determine the reasons for any variance (e.g., missing information, errors, and/or timing differences).

## PROCEDURE

The following internal controls shall be followed to implement this policy:

- For any billing cycle, a department responsible for the issuance of bills establishes an accounts receivable control account equal to the total commitment by tax or charge.
- Concurrent with the department's establishment of the accounts receivable control account, the Finance Director/Town Accountant posts the total commitment of tax or charge to an accounts receivable control account in the general ledger.
- 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 by the department to the commitment book and the department's accounts receivable control account with concurrent notification to the Finance Director/Town Accountant for posting to the accounts receivable control account in the general ledger.
- On a regular basis as described in the Town of Oxford, Revenue Processing policy, 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 (i.e. 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 Finance Director/Town Accountant for posting to the general ledger's revenue accounts and cash control accounts.
- Pursuant to the Town's Revenue Processing policy, all cash receipts and checks are deposited into the bank. Within two days of the receipt of cash and checks, the notification of disbursements made, or notification of interest earned, the Treasurer posts the transactions to Treasurer's cashbook.

**REFERENCES:**

Town of Oxford, Revenue Processing policy

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

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

**ADOPTED BY:**

Jennifer Callahan, Town Manager

Katie McKenna, Finance Director/Town Accountant

**DATE ADOPTED:**

3/8/2021

## **B-1 Disbursements**

### **PURPOSE**

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

### **APPLICABILITY**

This policy applies to Town Department heads, the Finance Director/Town Accountant, the Treasurer/Collector, the Town Manager, and other elected or appointed officials who submit requests for expense and/or payroll disbursements.

### **DEFINITIONS**

Accounts Payable – Money owed by an organization to its suppliers shown as a liability on the organization's balance sheet.

Accounts Payable Warrant - A written order by one party that instructs or authorizes another party to pay a specified recipient a specific amount of money for goods or services rendered.

Balance Sheet – A statement of financial position or statement of financial condition. It is a summary of the assets, liabilities and net equity of an organization as of a specific date, such as the end of its fiscal year.

Encumbrance - Triggered by the issuance of a purchase order to a vendor; the reservation of a portion of an appropriation to ensure that funds are available to pay an invoice from the vendor upon receipt for the good or service ordered.

General ledger - A bookkeeping ledger that serves as a central repository for accounting data for an organization. Each account maintained by the organization is known as a ledger account, and the collection of all these accounts is known as the general ledger. The general ledger is the backbone of any accounting system which holds financial and non-financial data for the organization.

IRS Form W-9 – An Internal Revenue Service form most commonly used in a business-contractor arrangement. Businesses (e.g., municipalities) can use Form W-9 to request information from contractors they hire. When a business pays a contractor in excess of \$600 during a tax year, the business is required to file IRS Form 1099-MISC, a variant of Form 1099.

Payroll Warrant – A written order by one party that instructs or authorizes another party to pay a wages and salaries to employees.

### **POLICY**

The following shall be policy of the Town:

- Prior to payment, all disbursements of the Town shall be subject to review and approval by the Finance Director/Town Accountant to ensure that they are:

- for a legitimate public purpose;
- in compliance with applicable federal and state statutes and regulations;
- In the case of vendor payments, authorized by adopted operating or capital budgets, or grant agreements;
- in the case of payroll expenditures, only for employees occupying positions that are authorized by the annual operating budget, adopted capital budgets, or grant agreements;
- in the case of payroll expenditures, based on time and attendance records reviewed and approved by the appropriate department head, and supported by provisions of existing collective bargaining agreements or the adopted annual compensation schedule for non-union personnel; and
- if applicable, supported by language in underlying contracts of purchase orders.

- Every disbursed check shall include language on its face that reads “Void if not cashed within one year of issuance.”
- No check or wire transfer shall be made until accounts payable and payroll warrants are signed by the Finance Director/Town Accountant and the Town Manager.
- Vendor payments must be based on original invoices and made only to entities with valid IRS Form W-9s on file.
- As a tax-exempt organization, the Town will not pay sales tax on any expense, including reimbursement of sales tax to an employee for costs incurred in the performance of his/her duties (see Town of Oxford, [Employee Reimbursements policy](#)). (If employees expend their own funds in the performance of their duties, they should obtain from the Finance Director/Town Accountant for presentation to a vendor a copy of a certificate showing the Town is an organization exempt from sales tax.)

## PROCEDURES

### Accounts Payable

The following procedures shall be followed in processing accounts payable disbursements:

- Any purchase of a good or service in excess of \$1,000 shall require a purchase order pursuant to the Town of Oxford, [Procurement Policy](#) which shall result in the encumbrance of funds to pay the vendor when its invoices are received.
- Though goods and services of less than \$1,000 generally do not require a purchase order, a requisition for a purchase order, per the Town’s [Procurement Policy](#), may be required if the good or service is on order but not anticipated to be delivered and/or invoiced until after the end of the fiscal year in which the good or service was ordered.

- Accounts Payable warrants are to be prepared by the Office of the Finance Director/Town Accountant on a weekly basis.
- The Finance Director/Town Accountant shall determine the schedule by which departments shall transmit invoices for inclusion in each weekly warrant.
- The transmittal of invoices to the Finance Director/Town Accountant shall be made under the cover of a batch cover sheet which is generated after each department creates a “batch” in the accounts payable module of the Town’s financial management software and records all invoices requested to be paid.
- An original invoice shall be required for payments to be made. The Finance Director/Town Accountant shall have the authority to set standards by which electronic transmittals from vendors will be acceptable in lieu of hard-copy original invoices.
- No invoice shall be paid prior to the delivery of the good or service reflected in the invoice.
- Each invoice shall be reviewed and signed by the head of the department transmitting the invoice indicating it is approved for payment.
- Upon receipt of batches, the Office of the Finance Director/Town Accountant shall review them. An invoice that does not comply with the policies and procedures described herein shall be removed from the batch.
- The Office of Finance Director/Town Accountant shall identify any invoice from a vendor or individual who owes money to the Town and is delinquent in those payments. That invoice shall be removed from the batch, and the vendor or individual shall be contacted and informed that payment is being withheld pending resolution of outstanding amounts owed to the Town.
- Upon completion of review by the Office of the Finance Director/Town Accountant, all batches shall be compiled under the cover of an accounts payable warrant for final review, approval, and signature by the Finance Director/Town Accountant and the Town Manager.
- A signed copy of the accounts payable warrant shall be transmitted to the Treasurer/Collector. Upon receipt of the signed warrant the Treasurer/Collector shall issue checks and wire transfers (when applicable) to pay invoices included in the warrant. The Treasurer/Collector shall, within two days of issuance of checks and wire transfers, post the disbursements to the Treasurer’s cash book.
- Upon the Treasurer/Collector’s notification to the Finance Director/Town Accountant that checks/wire transfers have been issued, the Finance Director/Town Accountant shall post the disbursements to the general ledger.

## Payroll

The following procedures shall be followed in processing payroll disbursements:

- Payroll shall be processed weekly by the Human Resources Department.
- Municipal and school employees shall be paid bi-weekly, with school and municipal employees paid alternate weeks.
- For payroll purposes, the work week runs from Sunday through Saturday.
- The Town's Human Resources Department shall be responsible for maintaining a database of active town employees and all retirees, including salaries, pay rates, stipends, weekly work hours, earned leave time, benefit options, and withholdings. The Office of Human Resources in the Oxford Public Schools shall be responsible for managing the active school personnel database. Any change to an employee's employment status, work hours, leave accrual rate, or compensation rate may only be made by the Town's Department of Human Resources or the School Department's Office of Human Resources based on a document signed by the Department Head, the Human Resource Specialist, the Finance Director and the Town Manager in the Town, or the Superintendent in the School Department.
- All data required to run a bi-weekly payroll must be transmitted to the Town's Department of Human Resources no later than 2 pm each Monday.
- For employees who work on a time and attendance basis, hours worked, by type of pay, are to be recorded in a time clock system which employees check into and out of daily.
- At the conclusion of the work week, hours recorded in the time clock system are to be exported into the Town's time and attendance software. The head of each department with employees who work on a time and attendance basis shall review the hours worked of each employee and approve all hours eligible for compensation.
- If a department head rejects any hours exported into the time and attendance software, these hours shall be reported to the Department of Human Resources with an explanation as to why they are rejected. The hours shall then be deleted from the system by the Department of Human Resources.
- Hours worked and type of pay for non-union employees shall be recorded by each department directly in the Town's time and attendance software and are subject to review and approval by the head of the department. If the department head rejects any hours recorded in the time and attendance software, these hours shall be reported to the Department of Human Resources with an explanation as to why they are rejected. The hours shall then be deleted from the system by the Department of Human Resources.

- Upon completion of the review and approval by all department heads of all hours recorded in the time and attendance software, the Department of Human Resources shall import time and attendance data into the Town's payroll software. To ensure that the import was successful, the Department of Human Resources shall reconcile departmental totals in the time and attendance software to those in the Town's payroll software.
- Any discrepancy between data in the time and attendance software and the payroll software shall be resolved by the Department of Human Resources. Upon resolution of any discrepancies, the Department of Human Resources shall email a report to the Office of Finance Director/Town Accountant as evidence of a balanced payroll.
- Upon satisfactory review of the payroll report, the Office of Finance Director/Town Accountant will generate a payroll warrant requiring the signature of the Finance Director/Town Accountant and the Town Manager.
- A signed copy of the payroll warrant shall be transmitted to the Treasurer/Collector. Upon receipt of the signed warrant the Treasurer/Collector shall issue checks and make direct deposits to pay employees included in the warrant. Each employee shall receive a pay stub that shows gross and pay net of withholding and deductions for the week and year-to-date, accrued leave time, and leave time used for the week and year-to-date.
- The Treasurer/Collector shall, within two days of issuance of checks and direct deposits, post the disbursements to the Treasurer's cash book.
- Upon the Treasurer/Collector's notification to the Finance Director/Town Accountant that checks/direct deposits have been issued, the Finance Director/Town Accountant shall post the disbursements to the general ledger.

#### Emergency Disbursements

If the need arises for a check to be issued to a vendor or an employee outside the regular accounts payable or payroll cycles, the head of the department requesting the check shall submit the request in writing to the Finance Director/Town Accountant explaining the basis for the request including a statement of the extraordinary circumstances that require the check to be issued off-cycle. If the Finance Director/Town Accountant approves the request, an emergency warrant shall be generated to authorize the Treasurer/Collector to make the payment.

#### Petty Cash

To mitigate any risks of illegal expenditures, violations of procurement laws, or instances of expenditures exceeding appropriations, no petty cash accounts are authorized.

## Prior Fiscal Year Bills

Invoices presented for payment after the end of a fiscal year for goods or services ordered in the prior fiscal year for which no funds were encumbered shall constitute unpaid bills of the prior fiscal year. No payment shall be made until such bills are submitted to the next scheduled Town Meeting. Such submission shall seek approval to pay the invoice – pursuant to Massachusetts General Laws - a four-fifths vote of Annual Town Meeting and a nine-tenths vote of Special Town Meeting are required - and shall identify the funding source for the payment.

## Audit

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

## REFERENCES

M.G.L. c. 30B

## Town of Oxford, Employee Reimbursements policy

## Town of Oxford, Procurement Policy

## Town of Oxford Collective Bargaining Agreements

**ADOPTED BY:**

Jennifer Callahan, Town Manager

Katie McKenna, Finance Director/Town Accountant

**DATE ADOPTED:**

3/8/2021

## **B-2 Employee Reimbursements**

### **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.

### **APPLICABILITY**

This policy shall apply to all employees, elected officials, appointed officials, and volunteers of the Town. The term employee will be used throughout the policy for all to whom this policy applies.

### **DEFINITIONS**

Business Mileage - Mileage incurred by an employee in 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 employee's home. If the person is traveling from their home to an outside business location, only the mileage incurred in excess of their normal round-trip commute to the Town office shall be reimbursable. For in-town business travel by employees - using their personal vehicles - between Town buildings, or about Town, in the performance of their duties, mileage shall be the actual mileage recorded on the vehicle's odometer.

Business travel expenses – Expenses incurred for either in-state and out-of-state travel such as: plane tickets, airport parking, shuttle fees, hotel accommodations, meals, conference/training fees, parking, tolls, taxis, and ride sharing services (e.g., Uber or Lyft).

Approved Business Meals – The reimbursement for meals shall be limited to \$50 per day for all meals, inclusive of taxes and tip. Any amount in excess of \$50 per day shall not be reimbursed. Meals for partial day travel will reimbursed at:

- \$10 for travel through 11 a.m.;
- \$25 for travel through 1:00 p.m.; and
- \$50 for travel through 6 p.m.

IRS Mileage Rate – A rate published annually by the Internal Revenue Service that reflects the average cost per mile of operating a motor vehicle capturing the costs of gas, oil, repairs, tires, insurance, registration fees, licenses, and depreciation.

Job related expenses – Pre-authorized expenses incurred in purchasing items required for the performance of an employee's duties. Reimbursement of expenses incurred by employees pursuant to provisions of collective bargaining agreements shall be governed by such agreements.

### **POLICY**

- Town employees are expected to make every effort to prepay all business travel expenses (e.g. plane tickets, hotel accommodations, conference/training fees, etc.) using a Town debit card or by check through the accounts payable process.

- Business travel expenses incurred during in-state or out-of-state travel require the pre-approval of the employee's department head or his/her designee.
- For business travel requiring the use of a vehicle, including travel between Town buildings in the course of a day, employees shall make reasonable efforts to use municipal vehicles instead of their personal vehicles.
- Out-of-State business travel requires the pre-approval of the employee's department head and the Town Manager. Evidence of advance approval must be included with an employee's request for reimbursement. The Director of Finance/Town Accountant shall determine the form by which approvals are obtained.
- Before paying for job-related expenses out-of-pocket (e.g., office supplies, public works materials, food) town employees should make every effort to procure such items from businesses where the Town has an account and that will invoice the Town directly for purchases.
- Prior to the purchase of job-related expenses out-of-pocket, an employee shall obtain the authorization of his/her supervisor. Such authorization may be verbal or written.
- An employee may not be reimbursed for sales tax incurred. To avoid incurring sales tax, an employee can obtain a certificate from the Finance Director/Town Accountant stating the Town is exempt from sales tax for presentation to a business at the time of purchase of a job-related item.
- When reserving overnight accommodations for business-related travel, employees are expected to stay at "average rate" facilities utilizing a conference rate or a group rate when available. Employees shall not be reimbursed for "wet-bar" expenses incurred in their room. Reimbursement for expenses incurred for overnight accommodations will be only for actual expenses incurred.
- When making travel reservations, 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.
- Rental cars should be limited to mid-class or smaller vehicles, unless the number of persons attending requires a larger vehicle.
- The Town will reimburse employees for approved business meals per the definition described herein. Reimbursement will not be made for alcoholic beverages.
- The following expenditures incurred by an employee in the course and scope of their duties shall not be reimbursed:
  - Massachusetts sales tax;

- Alcoholic beverages including liquor, beer and wine;
- Flowers and gifts for employees or others;
- Charitable contributions;
- Political contributions;
- The personal portion of any trip;
- Family expenses, including those of a partner when accompanying employee on Town business, child or pet care;
- Entertainment expenses, including theatre, shows, movies, sporting events, sightseeing tours, golf, spa treatments, etc.;
- Non-mileage personal automobile expenses including repairs, insurance, gasoline, traffic citations;
- Personal losses incurred while on Town business;
- Expenses paid for by any other organization;
- Valet services;
- Mileage while traveling as a passenger in a privately-owned car;
- Personal travel insurance;
- Medical or hospital expenses;
- Theft, loss or damage to personal property while on Town business; and
- Personal toilet articles, reading material, or personal telephone calls while on Town business.

- If it is determined that an employee knowingly and purposefully falsified a request for reimbursement, the Town may take disciplinary action up to and including termination.

## **PROCEDURES**

- Requests for reimbursement shall be on a form prescribed by the Finance Director/Town Accountant.
- Expenses incurred that are eligible for reimbursement shall include
  - Business mileage;
  - Business travel expenses; and
  - Job-related expenses.
- Mileage reimbursement shall be based on the IRS Mileage Rate in effect at the time a personal vehicle is used. Requests for reimbursement shall be accompanied by a map - Google maps or equivalent – showing the beginning and ending destinations and the mileage.
- Requests for reimbursement must be accompanied by original, itemized receipts. When an employee pays by personal check, a copy of the canceled check must also be attached to the reimbursement form. When an employee uses his/her credit card or debit card, the customer copy of the credit/debit card receipt or a copy of the credit/debit card statement showing the charge must also accompany the request for reimbursement.

- Original receipts must indicate the date and time, location, amount paid, and business purpose (handwritten by the employee).
- A request for reimbursement form must be signed by the employee and submitted to the department head or his/her designee for review, approval, and signature.
- Prior to signing the reimbursement form, the department head or his/her designee shall review the request for reimbursement form to ensure that the costs incurred comply with this policy. If questions arise, the department head shall seek clarification and additional documentation, if needed, from the employee before signing the form.
- Requests for reimbursement should be submitted no later than one month after expenses have been incurred.
- If documentation (e.g., credit card statements, cancelled checks) required of an employee to accompany requests for reimbursement will not be received until after the close of a fiscal year, the employee – through his/her department head – shall submit a request to the Finance Director/Town Account to have the current fiscal year's funds needed to cover the reimbursement encumbered so they will carry over into the next fiscal year and be available to cover the reimbursement request when submitted.
- Upon signing the request for reimbursement form, the department shall submit the reimbursement form and its attachments to the Finance Director/Town Accountant to be paid in the next accounts payable cycle.

## REFERENCES

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

## ADOPTED BY:

Jennifer Callahan, Town Manager

Katie McKenna, Finance Director/Town Accountant

## DATE ADOPTED:

3/8/2021

## **B-3 Anti-Fraud**

### **PURPOSE**

Public trust is critical to the success and integrity of municipal government. Employee confidence in government is equally essential. The Town's commitment to protecting its revenue, property, information, and other assets from fraud and abuse is critical not only to protecting these assets but also to earning the public's trust and employee confidence.

The purpose of this policy is to formalize the Town's commitment to protect its assets from abuse and fraud and to establish written guidelines and procedures to effect such protection.

### **APPLICABILITY**

This policy shall apply to the following in the performance of their duties:

- Full-time, part-time, seasonal, and casual employees;
- Appointed officials, elected officials, and committee members; and
- Volunteers and interns.

This policy shall also apply to any business or individual doing business with the Town.

### **DEFINITIONS**

Assets - Town funds, securities, supplies, inventory, vehicles, furniture, fixtures, equipment, and anything else of value.

Employee – For the purposes of this policy, the term “employee(s)” shall apply to all parties identified in the “Applicability” section above.

Fraud - Including but not limited to misappropriation of assets, larceny, corruption, fraudulent statements or financial reporting, and incurrence of expenditures and liabilities for improper purposes.

#### Misappropriation of Assets -

- Forgery, alteration, or misappropriation of checks, drafts, promissory notes, or securities
- 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)
- Embezzlement
- Theft
- Falsifying time sheets or payroll records
- Falsifying travel or entertainment expenses and/or utilizing town funds to pay for personal expenses or for personal benefit
- Fictitious reporting of receipt of funds

- Fraudulent Financial Reporting
  - Improper revenue recognition
  - Improper expense/expenditure recognition
  - Overstatement of assets
  - Understatement of liabilities
- Expenditures and Liabilities for Improper Purposes
  - 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**

It shall be the policy of the Town regarding protection of its assets as follows:

- The Town of Oxford and the Oxford Public Schools shall 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
- The Town expects all parties to whom this policy is applicable to comply with all aspects of this policy - and procedures and protocols developed pursuant to it - as well as all applicable State and Federal laws and regulations.
- The Town will communicate to all parties to whom this policy is applicable the meaning, definitions, and actions that constitute fraud. The form of communication shall be a written document to be appended to this policy developed by the Town Manager, or his/her designee(s), in consultation with Town Counsel that embodies the principles described herein and outlines procedures and protocols to implement this policy. Further all employees shall be given a copy of this policy and be required to sign a statement that they have read it in full and understand it, which shall become a record in the employee's personnel file. Thereafter, at the time of hire, all new employees will be subject to the same requirements.
- The Town Manager shall review this policy and the document described above and revise it, as needed, every two years. Further, a copy of the policy and document shall be transmitted to each employee at the expiration of every two-year period following their original signing for review, with each new document signed by the employee.
- The Town shall investigate any suspected acts of fraud impartially, confidentially, and without regard to the position, title, length of service, or relationship of any person, group, or organization involved.

- Where an act of fraud by an employee is substantiated the Town will take disciplinary action and refer to authorities for criminal action if appropriate; and, in the case of all other parties, take legal action it deems appropriate.

## **PROCEDURES**

Key elements of the document to be developed by the Town Manager regarding the Town's anti-fraud program shall include, but not be limited to, procedures, protocols, and definitions that address the following:

- Description of ethical standards expected of all parties to whom this policy is applicable;
- Detail of actions that constitute fraud;
- Duty to report suspicion of fraud;
- Whistleblower protection;
- Anti-fraud education program;
- Identification of parties to be notified in the event of suspicion of fraud;
- Mechanism for reporting suspicion of acts of fraud;
- Identification of parties responsible for conducting a fraud investigation;
- Confidentiality of a fraud investigation;
- Identification of party to whom results of investigation are to be reported;
- Personnel action post-investigation
  - Disciplinary action by the Town
  - Referral to state or federal authorities for additional action
- Action against originator of claim if it is determined there was no reasonable basis for the original claim and it was motivated by malicious intent; and
- Corrective action
  - Identification of parties responsible for developing protocols, practices and internal controls to avoid recurrence of fraud committed; timeline for the development of corrective action; and parties to review and approve the corrective action plan.

**REFERENCES**

M.G.L. c. 149, § 185

MGL c. 268A

Office of the Inspector General, Commonwealth of Massachusetts, Guide to Developing and Implementing Fraud Prevention Programs

**ADOPTED BY:**

Jennifer Callahan, Town Manager

Katie McKenna, Finance Director/Town Accountant

**DATE ADOPTED:**

3/8/2021

## **B-4 Police Details**

### **PURPOSE**

The Town of Oxford, as is the practice in other Massachusetts municipalities, assigns police officers to perform “off-duty” work details, i.e., police details, to protect the public safety during activities including, but not limited to, private and public construction and other public events. The purpose of this policy is to define the policies and procedures governing the administration of such details.

### **APPLICABILITY**

This policy applies to the Oxford Chief of Police, or his/her designee, the Treasurer/Collector, the Finance Director/Town Accountant and the Town Manager.

### **DEFINITIONS**

Police Detail – Work that police officers perform with compensation outside of their normal duties as an officer. Examples of such work includes, but is not limited to, working security at an event such as a Town Meeting or directing traffic in construction zones.

Internal Controls - Procedures put in place to safeguard assets, promote accountability, increase efficiency, and stop fraudulent behavior.

### **POLICY**

It shall be the policy of the Town to maintain internal controls to

- ensure timely billing of public and private entities to ensure prompt reimbursement to the Town for amounts paid by the Town to officers who worked details; and
- to actively pursue public and private entities who are delinquent in making reimbursements to the Town for the cost of details performed.

It shall be the policy of the Town to charge private entities an administrative fee, as adopted by the Board of Selectmen, of ten percent to cover the costs incurred by the Town in the provision of police details.

### **PROCEDURES**

#### Scheduling Details

Police details shall be scheduled solely by the Chief of Police, or his/her designee as Police Detail Administrator.

#### Paying Detail Officers

At the conclusion of a detail, per protocol established by the Chief or his/her designee, officers shall submit to the Police Department’s Police Detail Administrator slips indicating date(s) of work performed, start and end times of hours worked, and total hours worked.

Payments to officers for details worked shall be processed in the next Town payroll following the dates that work was performed and shall be charged to the Police Detail Agency Fund maintained by the Finance Director/Town Accountant, or his/her designee.

#### Invoicing Businesses for Details Performed/Processing Payments

No later than 10 business days following the processing of a payroll compensating officers for details performed, the Police Detail Administrator shall issue an invoice to the business that engaged the detail in the amount paid to officers for the detail(s) performed, plus a ten percent administrative fee; payment to be made directly to the Treasurer/Collector no later than 30 days after the date of the invoice.

The Police Detail Administrator shall maintain records in the police detail module of the Police Department's IMC Public Safety software, or any successor to this software, showing the following:

- Current balance of all police detail accounts receivable outstanding supported by a record showing:
  - Each invoice issued by business;
  - Date of invoice issued;
  - Payment received against invoice issued;
  - Date of payment received; and
  - Amount of invoice unpaid, if any, after receipt of payment.

A copy of each invoice shall be distributed to the Treasurer/Collector to be used to match to payments upon receipt, and to the Finance Director/Town Accountant to serve as the basis for the posting of an account receivable to the Police Detail Agency Fund.

Upon receipt of a payment, the Treasurer/Collector shall:

- per the Town of Oxford, Revenue Processing policy, generate a turnover sheet, a copy of which goes to the Finance Director/Town Accountant which shall trigger an entry to cash in the Police Detail Agency Fund and an offsetting entry to accounts receivable of the Fund; and
- work with the Police Department to ensure that payments are posted to the IMC Public Safety Software.

#### Pursuing Delinquent Payments

If an invoice becomes past due, the Police Detail Administrator shall issue a notice to the business that payment is overdue and needs to be made immediately, a copy of which shall be sent to the Treasurer/Collector. A \$5 late fee shall be applied for each officer who worked the detail(s) in question. Concurrent with the issuance of the notice, the Police Department shall make a call to the business verbally requesting payment.

If an invoice remains unpaid 30 days after the first notice is issued, a second notice shall be issued demanding immediate payment of the invoice and applied late fees, a copy of which shall be sent to the Treasurer/Collector.

If no payment is made after the second notice, the Treasurer/Collector shall notify all town departments that issue licenses and/or permits that, per Massachusetts General Laws and Town by-law, any existing license or permits shall be suspended and no new licenses or permits shall be issued to the delinquent entity.

If an account remains unpaid 365 days after the original invoice date, the Treasurer/Collector, in consultation with the Police Department, shall determine whether they deem the invoice collectible. If deemed collectible, the Treasurer/Collector shall notify the Town Manager and Finance Director/Town Accountant in writing of that determination for the purpose of engaging Town Counsel to pursue action in small claims court. If the invoice is deemed uncollectible, the Treasurer/Collector shall request the Town Manager and Finance Director/Town Accountant to authorize writing the receivable off the books of the Town.

#### Reconciling Accounts Receivable

No later than 5 business days following the end of each month, the Treasurer/Collector shall run a receivables report from the IMC Public Safety Software and forward the report to the Finance Director/Town Account for reconciliation with the accounts receivable balance in the Police Detail Agency Fund. All discrepancies shall be resolved no later than 20 days following the end of each month.

#### **REFERENCES**

M.G.L. c. 44, § 53C

M.G.L. c. 40, § 57

Town of Oxford, [Revenue Processing policy](#)

#### **ADOPTED BY:**

Jennifer Callahan, Town Manager

Katie McKenna, Finance Director/Town Accountant

#### **DATE ADOPTED:**

3/8/2021

## **B-5 Procurement**

### **PURPOSE**

The purpose of this policy is to formalize the process the Town must follow to comply with State statutes that govern a municipality's procurement of goods and services and to identify parties that are subject to such compliance.

### **APPLICABILITY**

This policy applies to all employees, boards, and commissions of the Town and the Oxford School District.

### **DEFINITIONS**

Sound business practice – Practice that ensures the receipt of favorable prices by periodically soliciting price lists or quotes.

Encumbrance – Triggered by the issuance of a purchase order to a vendor, the reservation of a portion of an appropriation to ensure that funds are available to pay an invoice from the vendor upon receipt for the good or service ordered.

### **POLICY**

It shall be the policy of the Town as follows:

- The Town Manager shall serve as the Chief Procurement Officer of the Town.
- The Town Manager shall be the signatory on all Town contracts.
- The Superintendent of the Oxford Public Schools shall serve as Chief Procurement Officer of the Oxford Public School District pursuant to the delegation of such authority by the Town Manager.
- The Director of the Public Library shall serve as Chief Procurement Officer for the Oxford Public Library pursuant to the delegation of such authority by the Town Manager.
- As Chief Procurement Officer of the Town, the Town Manager may delegate his/her powers and duties to one or more employees of the Town. Such delegation shall be in writing, be signed by the Chief Procurement Officer, and state the activity or function authorized and the duration of the delegation. A delegation may be in specific or general terms, may be limited to a particular procurement or class of procurements, and may be conditioned upon compliance with specified procedures. A delegation may be revoked or amended whenever the Chief Procurement Officer determines that revocation or amendment is in the best interests of the Town. A delegation of powers or duties by the Chief Procurement Officer and any revocation or amendment thereof shall not take effect until a copy of the same has been filed with the office of the Inspector General of the Commonwealth.
- It shall be the policy of the Town that all employees shall procure goods and services pursuant to sound business practices and in compliance with all applicable laws and regulations of the

Commonwealth and Town By-Laws, including ethics provisions that govern the conduct of public officials and employees.

- It shall be the policy of the Town that all department heads and those employees designated by a department head to solicit bids for goods and services shall within six months of the beginning of their employment with the Town, endeavor to pursue all training opportunities and certifications offered by the Commonwealth in the area of procurement that is pertinent to their daily operations including the following:
  - MGL Chapter 30B – procurement of supplies and services
  - MGL Chapter 149 – building (vertical) construction
  - MGL Chapter 7C, §§ 44-58 – designer services
  - MGL Chapter 30, §39M --non-building (horizontal) construction
- The Town shall comply with all purchasing-related record retention requirements as promulgated by state statute and regulations.

## **PROCEDURES**

The following procedures shall be followed in the procurement of goods and services:

- The head of each town department shall be responsible for the procurement of goods and services of the department.
- The department head may designate one or more employees to solicit bids for goods and services.
- The purchase of any good or service in excess of \$1,000 shall require the issuance of a purchase order.
- Though goods and services of less than \$1,000 generally do not require a purchase order. If a good or service is on order and anticipated to be delivered and/or invoiced after the close of the fiscal year, each department must initiate a requisition for a purchase order for the good or service for the purpose of posting an encumbrance of funds from the current year's budget so they are available to pay invoices when submitted.
- For all purchases, whether or not they require a purchase order, vendors shall be instructed to transmit invoices to the department that generated the order.
- With the exception of designer selection, the solicitation of bids for any good or service in the amount of \$10,000 or less must be made on the basis of sound business practices, i.e., to the extent practicable be made competitively by seeking at least three quotations based on a common specification.
  - For designer selection, services with an estimated cost of \$30,000 or more requires solicitation of quotes from three designers.

- The solicitation of bids for goods or services in excess of \$10,000 (\$30,000 in the case of designer selection), excepting those exempt from competitive bidding by statute, must adhere to the requirements of Massachusetts General Laws.
- In the case of procurement of those goods or services exempt from competitive bidding by statute, to the extent practicable, efforts shall be made to solicit competitive quotations from at least three vendors/firms.
- The procurement of a good or service which is estimated to cost in excess of \$10,000 may not be split into multiple procurements in order to evade the requirements of Massachusetts General Laws.
- The Finance Director/Town Accountant shall establish a hierarchy of approvals of purchase order requisitions that, at a minimum, shall include:
  - The department head of the requisitioning department if the requisition was initiated by one of his/her designees;
  - The Finance Director/Town Accountant or his/her designee; and
  - The Town Manager.
- A requisition for a purchase order in excess of \$10,000 shall be accompanied by evidence that competitive quotes were sought in compliance with Massachusetts General Laws governing the good or service being procured.
- If the procurement is for a good or service that calls for the signing of a detailed contract in addition to a purchase order, a copy of the proposed contract shall accompany the requisition and include signature blocks for the Finance Director/Town Accountant (to certify the availability of funds) and for the Town Manager.
- The Town Manager, in consultation with Town Counsel, shall develop a template for a standard contract for the procurement of goods and services that shall include provisions that will protect the interests of the Town and will be subject to modification to meet the needs of any particular procurement.
- Competitive bids may be waived in instances where it is demonstrated that only one vendor can provide a good or service in an amount of \$50,000 or less, referred to as a sole source procurement. A requisition for a purchase order for a sole source procurement must be accompanied a memorandum from the head of the department seeking the purchase order stating the evidence that there is only one vendor who can provide the good or service.
- Pursuant to Massachusetts General Laws, whenever the time required to procure a good or service would endanger the health or safety of the people or their property due to an unforeseen emergency, the Chief Procurement Officer may authorize an emergency procurement that does not comply with statute. A record of each emergency procurement shall be maintained,

documenting the basis for the determination that an emergency exists, the name of the vendor providing the good or service, the amount and type of contract, and a list of the supplies or services purchased under the contract. The record of the emergency procurement must be submitted as soon as possible to the Secretary of State for publication in Goods and Services Bulletin.

## REFERENCES

MGL Chapter 30B	MGL Chapter 149
MGL Chapter 7C, §§ 44-58	MGL Chapter 30, §39M
M.G.L. Chapter. 268A	MGL Chapter 66, § 8

Oxford By-Laws: Chapter 5, Financial Affairs and Town Contracts

Publications of the Commonwealth of Massachusetts, Office of Inspector General:

- The Chapter 30B Manual: Procuring Supplies, Services and Real Property
- Designing and Constructing Public Facilities
- Charts on Procurement Procedures
- Model Designer Selection Procedures for Municipalities and Other Local Public Agencies
- Code of Conduct for Public Employees

## ADOPTED BY:

Jennifer Callahan, Town Manager

Katie McKenna, Finance Director/Town Accountant

## DATE ADOPTED:

3/8/2021

## **B-6 Revenue Processing**

### **PURPOSE**

The purpose of this policy is to (1) safeguard Town assets by ensuring that payments to the Town in the form of cash, check, credit card, and other forms of payment for property taxes, excise taxes, charges for services, fees, and federal and state government receipts are properly and timely secured, recorded, and deposited in Town bank accounts; and (2) to maximize cash flow to finance Town expenditures and maximize interest income.

### **APPLICABILITY**

This policy applies to the head of each Town department that receives payments including, but not limited to, fees, taxes, and charges for service; the Treasurer/Collector; and, the Finance Director/Town Accountant. For the purposes of this policy, the titles of department head or Treasurer/Collector shall refer to that position or his/her designee unless specified otherwise.

### **POLICY**

The head of each department that receives payments is responsible for adhering to procedures established by this policy to ensure that all receipts are recorded accurately, kept secure from loss or theft, and turned over timely to the Treasurer/Collector.

The Town Manager shall ensure that surety bonds are maintained for all individuals responsible for handling payments to indemnify the Town from potential loss or theft.

Each department must turn over payments at a minimum on a weekly basis and must do so immediately whenever cash receipts exceed \$250. Notwithstanding the above, at month-end, departmental staff will turn over all revenues no later than 11:00 am on the last business day of the month.

### **PROCEDURE**

The following internal controls shall be followed to implement this policy:

#### **Receipt of Payments**

Any Town department receiving payments must issue a receipt for each payment using prenumbered receipt books, regardless of whether the payer requests a receipt. A copy of each receipt shall be maintained by the department. All departments must identify the forms of payment (check, cash, or credit card) on the departmental copy of each receipt issued. Any check received for payment shall be immediately endorsed "For Deposit Only" using a stamp or by handwriting. Each department receiving payments shall secure them in a locked cashbox or safe until turned over to the Treasurer/Collector.

Notwithstanding any delegation of responsibility, each department head is accountable for ensuring that the processing, recording, record retention, and turnover of payments to the Treasurer/Collector is performed in accordance with this policy. To the extent practicable, segregation of duties should be adhered to with separate individuals responsible for: 1) receiving payments, 2) recording payments, and 3) turning payments over to the Treasurer/Collector.

### Turning Over Revenues

All payments received by a department shall be turned over to the Treasurer/Collector in the timeframe prescribed in this policy under the cover of a Schedule of Departmental Payments to the Treasurer (aka the turnover sheet consisting of the Treasurer's copy, Form AD-9, and the Accountant's copy, form AD-10), with each form signed solely by the head of the department. All receipts should tie back to the numbered receipt book and the turnover sheet. An employee so authorized by the head of the department shall deliver the turnover package to the Treasurer/Collector's office in person. At no time will the employee leave a turnover package in the Treasurer/Collector's office unattended.

### Receiving Turnovers

Upon the receipt of the turnover package, the Treasurer/Collector will count the payments in the presence of the authorized departmental employee. Any variance between the amount counted and the amount on the turnover sheet shall be reconciled and corrections to the turnover sheet shall be made and initialed by both parties.

Following the reconciliation of any discrepancies between the count and the turnover sheet, the Treasurer/Collector shall sign and date each of the forms AD-9 and AD-10. The Treasurer/Collector's office shall provide a copy of the signed form AD-9 to the department that generated the turnover sheet to be retained by that department as a record of the transaction. In turn, the department shall transmit the signed form AD-10 to the Finance Director/Town Accountant. The Finance Director/Town Accountant shall not accept any turnover sheet that is not signed by a Treasurer/Collector.

On a daily basis, the Treasurer/Collector will complete a turnover of all the collections processed for taxes and other committed receivables. The turnover sheet will report all the collections summarized by receipt type, which must reconcile to the bank deposits for the same period.

Within two days of receipt of cash and checks, the Treasurer/Collector shall enter all amounts received that day to the Treasurer's cash book and to the Town's financial management software accounting module for review by the Finance Director/Town Accountant, create a deposit package, and deposit the payments at the bank. The Finance Director/Town Accountant shall not post the entries to the accounting module unless the forms supporting those entries are signed by the Treasurer/Collector. Until the deposit is completed, the Treasurer/Collector will ensure that all receipts are secured at all times, either in a cash drawer or in a safe overnight if circumstances delay the daily deposit to the following day.

The head of each department that has turned over payments to the Treasurer/Collector shall review the Finance Director/Town Accountant's monthly revenue reports to verify all payments to the Treasurer/Collector have been posted to the correct revenue account in the general ledger. Any discrepancies should be reported to the Finance Director/Town Accountant.

### 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 reversal of the amount in question to the appropriate account in the general ledger and notify the department responsible for the turnover. The Treasurer/Collector will also enter a reversal in the cashbook.

The Treasurer/Collector will notify the payer in writing of the bounced check or rejected EFT requiring payment of the original amount plus a \$25.00 penalty to be due in 10 days and in the form of cash, money order, or certified check.

The head of the department receiving the original payment shall, if requested, assist the Treasurer/Collector in pursuing the amount owed. If the original payment was for a license or permit, the department shall suspend the license or permit until the original amount and penalty has been paid.

#### Reconciliation

In accordance with the Town of Oxford, Cash and Receivables Reconciliations policy, the Treasurer/Collector will reconcile the cashbook with bank statements and provide a summary of cashbook balances to the Finance Director/Town Accountant monthly.

#### Audit

All cash management activity is subject to review by the Finance Director/Town Accountant and Oxford's independent auditor at any time deemed necessary.

#### **REFERENCES**

M.G.L. c. 41, § 35      M.G.L. c. 41, § 57

M.G.L. c. 60, § 57A      M.G.L. c. 44, § 69

Town of Oxford, Cash and Receivables Reconciliations policy

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

#### **ADOPTED BY:**

Jennifer Callahan, Town Manager

Katie McKenna, Finance Director/Town Accountant

#### **DATE ADOPTED:**

3/8/2021

## **B-7 Tailings**

**This policy is subject to town meeting's acceptance of M.G.L. c. 200A, § 9A.**

### **PURPOSE**

The purpose of this policy is to formalize procedures, pursuant to Massachusetts General Law, to address the disposition of uncashed checks issued by the Town; that is, to attempt to timely contact the payees of the uncashed checks in effort to have the parties take possession of the payments to which they are entitled, and, if such efforts are unsuccessful to escheat the funds to the Town's treasury to be available to support future appropriations for any lawful purpose.

### **APPLICABILITY**

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

### **DEFINITIONS**

Tailing - a disbursed but uncashed check, which represents a liability on the Town's books. It can arise from any 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 Massachusetts General Laws.

Escheatment – The process of reverting the amount of a tailing to the municipal treasury when a check is deemed to be abandoned.

General ledger - a bookkeeping ledger that serves as a central repository for accounting data for an organization. Each account maintained by the organization is known as a ledger account, and the collection of all these accounts is known as the general ledger. The general ledger is the backbone of any accounting system which holds financial and non-financial data for the organization.

### **POLICY**

This policy is subject to town meeting's acceptance of M.G.L. c. 200A, § 9A.

It shall be the policy of the Town as follows:

- to systematically, on annual basis, identify tailings and pursue remedies to insure the parties entitled to the tailings successfully claim the amounts they are due, or in the event of failure of such efforts, the unclaimed funds are returned to the Town's treasury.
- in accordance with Massachusetts General Laws and the Town of Oxford Disbursements policy, every check issued by the Treasurer/Collector shall include the following language on its face: "Void if not cashed within one year of issuance."

## **PROCEDURES**

### **A. Semi-Annual Review – contacting payees of uncashed checks**

The semi-annual schedule adopted for the purpose of implementing this section shall be established by the Treasurer/Collector in consultation with the Finance Director/Town Accountant.

- Semi-annually, the Treasurer/Collector will review the outstanding check log to identify all outstanding payroll and vendor checks that remain uncashed 30 days or more after issuance.
- Semi-annually, the Treasurer/Collector, in writing via hard copy or email, shall provide - by the 15<sup>th</sup> of the month following the end of the semi-annual period - a list of each uncashed check to the head of the department associated with each check. The purpose of such list is to enlist the department to contact the payee of each check – by phone, email, or in person – to determine why the check has not been cashed and to request that they deposit the check.
- If, after the passage of 30 days from the 15<sup>th</sup> of the month described in the previous bullet point, checks remain uncashed, the Treasurer/Collector shall send a notice to each payee at their last known address informing them that the check remains uncashed and requesting the payee to contact the Treasurer/Collector’s Office for the purpose of resolving the matter.
- Semi-annually, the Treasurer/Collector will identify all checks that are uncashed for more than one year after issuance and notify the bank to stop payment on them. The Treasurer/Collector will generate a report listing each check subject to stop payment which will be transmitted to the Finance Director/Town Accountant who shall record the total amount of the checks as an abandoned property liability in the general ledger.

### **B. Yearly Review**

Annually, the Treasurer/Collector will review the accumulated inventory of checks that were subject of a stop payment order and do the following pursuant to Massachusetts General Law:

- On the Town’s website, publish - 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.” - a list of the checks that have been outstanding for more than a year. The notice shall specify the names of those persons who appear from available information to be entitled to such funds, shall provide a description of the appropriate method for claiming the funds and shall state a deadline for those funds to be claimed; provided, however, that the deadline shall not be less than 60 days after the date the notice is first posted on the website.
- For all checks that remain unclaimed after the deadline for the website notice described above has passed, an additional notice shall be published in a newspaper of general circulation in Worcester County in the same form as the website posting and shall include a new claim deadline not less than 60 days after the publication date in the newspaper.
- After the passage of 60 days from the from date of publication of the notice in the newspaper, the Treasurer/Collector shall send a notice of all unclaimed funds under \$100 to the Finance

Director. For those \$100 or greater, a second notice shall be published in a newspaper of general circulation in Worcester County in the same form as the 1<sup>st</sup> newspaper posting except that it shall provide a deadline for claiming funds at least one year after the publication date of the 2<sup>nd</sup> notice.

**C. Escheatment**

- Upon receipt of notice from the Treasurer/Collector to the Finance Director/Town Accountant, as described in Section C above, of all unclaimed funds under \$100, the Finance Director/Town Accountant shall escheat the funds by reversing the abandoned property liability account in the general ledger by the total amount in question and recognizing that amount as a revenue of the general fund.
- After the expiration of one year from date of publication of the 2<sup>nd</sup> newspaper notice, the Treasurer/Collector shall compile a list of those unclaimed checks still outstanding and transmit the list to the Finance Director/Town Accountant who will escheat the funds in the same manner as described in the paragraph above.

**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 Finance Director/Town Accountant for inclusion on the next accounts payable or payroll warrant, whichever is appropriate.

**E. Audit**

- All activity related to tailings is subject to audit by the Finance Director and independent auditor.

**REFERENCES**

M.G.L. c. 200A, § 9A

Town of Oxford, Disbursements policy

Massachusetts Collectors & Treasurers Association: Treasurer's Manual

**ADOPTED BY:**

Jennifer Callahan, Town Manager

Katie McKenna, Finance Director/Town Accountant

**DATE ADOPTED:**

3/8/2021

## **B-8 Year-End Closing**

### **PURPOSE**

To ensure local officials have accurate financial data in adequate time to make necessary budgetary decisions, the Town must 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 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 Manager, Finance Director/Town Accountant, and Treasurer/Collector. Additionally, it pertains to the budget transfer authority of the Board of Selectmen and Finance Committee.

### **DEFINITIONS**

Available Funds - These are funds established through previous appropriations or results of favorable conditions. These may be appropriated to meet emergency or unforeseen expenses, large one-time or capital expenditures. Examples: Free Cash, Stabilization Fund, Overlay Surplus, Water Surplus and enterprise retained earnings.

Bond anticipation note (BAN) – A short-term note issued to provide cash for initial project costs. BANs may be issued for a period not to exceed ten years but require a reduction of principal after two years. At maturity a BAN can be retired in full or converted to a long-term bond.

Operating Budget - The plan of proposed expenditures for personnel, supplies, and other expenses for the coming fiscal year of any fund for the delivery of services. Generally, applies to a municipality's General Fund but could also apply to other funds, e.g., Enterprise.

General Fund - The primary fund used by a governmental entity. This fund is used to record all revenues and expenditures that are not associated with special-purpose funds. e.g., enterprise funds, grant funds and revolving funds. The activities being paid for through the general fund constitute the core administrative and operational tasks of a municipality.

Enterprise Fund - A separate accounting and financial reporting mechanism for which revenues and expenditures are segregated into a fund with financial statements separate from all other governmental activities. An enterprise fund identifies the total direct and indirect costs to provide the service and the sources and amounts of revenues that support a service for which a fee is charged in exchange for the service, an example being the delivery of sewer services.

Fund Balance - The difference between a governmental fund's current assets – cash, short-term investments, inventories, receivables, and other unrestricted assets expected to be available to finance operations in the immediate future – and its current liabilities.

Retained Earnings – The surplus of an enterprise fund as of the end of a fiscal year as certified by the Massachusetts Department of Revenue, Division of Local Services (DOR) as of July 1 that is available for appropriation by Town Meeting for purposes related to the services accounted for in the enterprise fund.

Short-term Interest – The interest payable on a bond anticipation note when the note comes due.

Special Article Appropriations – Appropriations made by Town Meeting for special purposes - to be accounted for separately - other than operating budget expenditures. An example would be appropriations for capital expenditures or an appropriation for the acquisition of property.

Year-End Transfer – As authorized by Massachusetts General Law, year-end transfers from one operating budget appropriation to another, as approved by the Board of Selectmen and the Finance Committee.

## **POLICY**

It shall be the policy of the Town as follows:

- The Finance Director/Town Accountant, or his/her designee(s) will oversee the various components of year-end tasks under the time frames and procedures outlined below; and
- All facets of the Town's year-end closing detailed here will be accomplished no later than October 31 each year.

## **PROCEDURES**

### Review of Operating Budgets (general fund and enterprise fund), Grants, Other Special Appropriations, and Special Revenue Accounts

- No later than May 15, the Finance Director/Town Accountant will distribute fiscal year-to-date budget reports of all operating budgets, grants, and special article appropriations voted at Town Meeting (capital and non-capital), to the responsible department heads, including the School Department, to solicit status updates on them.
- Upon review of budget reports, each department head will notify the Finance Director/Town Accountant and Town Manager in writing within 10 days of the receipt of budget reports of any of the following:
  - Accounts whose projected spending through the end of the fiscal year will exceed budget including an explanation for the projected shortfall and proposed measures to avert the shortfall; including statement of the opportunity to curtail spending for the remainder of the fiscal year; and; an assessment of the impact of curtailing spending on the delivery of services.
  - Special article appropriation accounts funding projects that have been completed and have unexpended balances.

- In the case of operating budget shortfalls, the Finance Director/Town Accountant shall consult the Town Manager to determine the feasibility of curtailing spending, and if not feasible, identify alternatives including:
  - Request for a Finance Committee Reserve Fund transfer, if appropriate;
  - A supplemental appropriation at a Special Town Meeting; and/or
  - A year-end transfer before the end of the fiscal year subject to approval by the Board of Selectmen and the Finance Committee.
- In the case of a special article appropriation (e.g., a capital project shortfall), the Finance Director/Town Accountant shall consult the Town Manager to determine the feasibility of curtailing spending and, if not feasible, identify alternatives including:
  - Request for a Finance Committee Reserve Fund transfer, if appropriate; and/or
  - A supplemental appropriation of available funds or bond funding at a Special Town Meeting.
- In the case of special article appropriations where projects have been completed, the Finance Director/Town Accountant shall identify the underlying financing of the unexpended balances and do the following:
  - Where the unexpended balance represents unexpended bond proceeds, recommend them as an available fund to finance a portion of a proposed project in the capital budget at a subsequent town meeting pursuant to Massachusetts General Law.
  - Where the unexpended balance represents unspent appropriations of available funds, close the balance to the fund balance or retained earnings of the source of the funding (e.g., general fund or enterprise fund) at fiscal year-end.

#### Fiscal Year-End Memo

On or about the third week in May, the Finance Director/Town Accountant shall contact all department heads advising them of the following:

- Purchase Order Cut-Off Date
  - The last day to post purchase orders to the Town's financial management software; and
  - Request to departments to make sure that purchase orders are issued to cover the cost of June services that are not billed until July. Examples would be electricity, natural gas, telephone, copier (Xerox/Ricoh), cell phone service, water, and office supplies (i.e., W.B. Mason, Staples and Amazon).

- Processing invoices for payment
  - The date by which invoices for goods and services that are not funded through the encumbrance of funds (i.e., the issuance of a purchase order) must be posted to the Town's financial management software, and the July date for final accounts payable warrant for the current fiscal year; and
  - An advisory that any invoice for services or supplies from the current fiscal year which does not get entered into the Town's financial management software by a date specified, must be paid on a Warrant in the next fiscal year with an existing purchase order dated in the current fiscal year, regardless of the funding source.
- Closing of all unnecessary Purchase Orders.
  - An advisory that only those purchase orders which represent legitimate budget obligations for the new fiscal year should be left open and carried into the next year. All other purchase orders will need to be processed, closed or canceled with a date no later than June 30th, prior to closing the fiscal year.

#### Capital Project Reviews: Identifying the Need for Additional Borrowing before Fiscal Year-End

On or about March 1, for any project financed with debt, the Treasurer/Collector shall prepare a spreadsheet that shows for each capital project the following:

- Original appropriation;
- Funding source – available funds, debt, or combination of each;
- Amount expended project-to-date; and
- Amount borrowed project-to-date.

The information above shall be distributed to each department managing a debt-financed capital project, and in turn they shall be asked to return to the Treasurer/Collector the projected project spending as of the upcoming June 30, September 30, and December 31.

Upon receipt of projected spending, the Treasurer/Collector shall:

- Calculate the need for additional borrowing in order to (1) avoid a project deficit as of June 30 and (2) finance project spending until the next bond issue (the difference between projected spending and borrowing to-date plus available funds).
  - Begin preparation of a bond anticipation note issue prior to the end of the fiscal year.
  - Provide the Finance Director/Town Accountant with an estimate of short-term interest to be incorporated into the recommended operating budget for the next fiscal year.

#### Capital Asset Updates

The value of a capital assets is an important component of a municipality's financial statements. In this regard the following shall occur annually.

- No later than June 15, the Finance Director/Town Accountant will distribute to each department a list of current capital assets under their management;
- Each recipient department head shall review the asset list and note the following
  - Identify those assets that still exist;
  - Identify those assets that no longer exist with an explanation of why; and
  - Note additions to the asset list and provide information about the asset as prescribed by the Finance Director/Town Accountant; and
- Return the amended list to the Finance Director/Town Accountant no later than August 1.

#### 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; and
- Calculate the general fund's unreserved fund balance.

#### Submissions to the DOR

The following actions will be completed by the dates shown for transmittal to the DOR, much of which is needed to certify the Town's free cash and retained earnings as of July 1 following the fiscal year just ended:

- By the Finance Director/Town Accountant:
  - Snow and ice data sheet - September 15;
  - Combined balance sheet and supporting documents - September 30; and
  - Schedule A - October 31.
- By the Finance Director/Town Accountant and Treasurer/Collector:
  - Statement of indebtedness - September 30;
  - Treasurer/Collector's year-end cash report - September 30;
  - Cash reconciliation - September 30; and
  - Schedule of outstanding receivables - September 30.

## **REFERENCES**

M.G.L. c. 44, § 20

M.G.L. c. 44, § 33B

M.G.L. c. 44, § 64

M.G.L. c. 59, § 5

DLS Informational Guideline Release 17-13: Appropriation Transfers

Governmental Accounting Standards Board Statement 1: Objectives of Financial Reporting

Government Finance Officers Association Guidance: Timely Financial Reporting

## **ADOPTED BY:**

Jennifer Callahan, Town Manager

Katie McKenna, Finance Director/Town Accountant

## **DATE ADOPTED:**

3/8/2021