

TOWN OF LEYDEN

FINANCIAL POLICY MANUAL

JUNE 26, 2024



PREPARED BY:

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DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

Geoffrey E. Snyder
Commissioner of Revenue

Sean R. Cronin
Senior Deputy Commissioner

June 26, 2024

Select Board
Town of Leyden
7 Brattleboro Road
Leyden, MA

Dear Board Members,

I am pleased to present the enclosed set of financial policies for the Town of Leyden. It is my hope that our guidance provides direction and serves as a resource for local officials as we build better government for our citizens.

If you have any questions regarding the report, please contact Zack Blake, Financial Management Resource Bureau Chief, at (617) 626-2358 or blakez@dor.state.ma.us.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean R. Cronin".

Sean R. Cronin
Senior Deputy Commissioner

INTRODUCTION

At the Select Board's request, the Division of Local Services (DLS) Financial Management Resource Bureau (FMRB) created a financial policy manual for the Town of Leyden. In requesting this project, Leyden's leaders acknowledged the important role policies play in municipal government and sought guidance for formalizing sound budgetary and planning practices, as well as strengthening ongoing operations. It is divided into two parts, the first containing policies associated with financial planning and the second with day-to-day operations. The policy drafts are based on municipal best practices tailored to Leyden's structure, goals, financial conditions, and size as identified during the course of this project. We have provided the manual as a Word document so that Town officials may easily revise any policies as desired prior to final adoption. We also recommend the Town conduct reviews of the policies every few years to revise or otherwise expand upon them as changing circumstances may warrant, potentially adopting new policy topics as well.

Please note that there are three policies that will require specific town meeting action before Leyden can adopt them as presented here.

OPEB: The Town of Leyden has **not** accepted [M.G.L. c. 32B, § 20](#) to create a trust fund for other postemployment benefits (OPEB). An OPEB trust fund must comply with the following criteria: 1) the fund's contributions and earnings are irrevocably committed to OPEB use; 2) the OPEB plan's assets are dedicated exclusively to providing benefits to plan members; and 3) the OPEB plan's assets are legally protected against creditors. We advise the Select Board to present town meeting voters with articles that propose the following:

1. Accept M.G.L. c. 32B, § 20 to establish a GASB-compliant OPEB trust fund.
2. Authorize the prudent investor rule as detailed in [M.G.L. c. 203C](#) to make available the options required to meet the investment goals of the OPEB trust.
3. Designate the treasurer as fund trustee.

Tailings: The tailings policy includes expedited procedures for managing uncashed checks as allowed under [M.G.L. c. 200A, § 9A](#). Accordingly, it can only be adopted after town meeting's acceptance of this statute.

Additionally, the town currently has eight special purpose stabilization funds, each for a specific capital purpose. In a community such as Leyden that is in the process of building its reserve levels, we recommend limiting the number of special purpose stabilization funds to those with clear but broadly defined purposes. Pooling resources into a capital stabilization fund that supports the town's

capital improvement plan, rather than dividing monies up into multiple, more restrictive funds may prove more successful in securing the town's capital acquisitions. For this reason, the Financial Reserves policy is presented with the addition of a capital improvement stabilization fund noted in brackets.

When gathering information for these policies, it was also noted that Leyden does not have any formally recorded bylaws and accepted statutes. We recommend the Select Board prioritize codifying existing processes and best practices into bylaws to promote future stability and continuity.

LEYDEN MASSACHUSETTS

FINANCIAL POLICIES MANUAL



PREFACE

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

With these policies, the Town of Leyden, through its Select Board, Town Coordinator, Finance Committee, and employees, commits to the following objectives:

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

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FINANCIAL PLANNING POLICIES

ANNUAL BUDGET PROCESS

Applies to:	▪ Select Board and Finance Committee in budget decision making ▪ Accountant and Board of Assessors job duties ▪ All department heads and the boards and committees that have spending authority (all referred to here as “department heads”) in their budget planning duties
Scope:	Annual budget development, documentation, and adoption processes
Date:	[Date]

PURPOSE

To promote transparency, procedural consistency, and fiscal sustainability, this policy establishes guidelines for developing, documenting, proposing, and adopting the Town’s annual budget. As the Town’s central policy document, the budget prioritizes annual and longer-range objectives and is the means for turning strategic plans into fiscal reality. It constitutes a contract between the Town and its residents, explaining how funds are to be raised and allocated for the delivery of services.

POLICY

Town officials will work together to prepare a balanced budget for the approval of town meeting voters. The creation of the budget will be guided by and reflect all the other financial planning policies adopted by the Town and contained in its policy manual. Town meeting has sole authority to appropriate funds for the budget, except for specific instances where statutes or regulations do not require appropriation (i.e., grants, gifts, revolving funds, and offset receipts). Furthermore, any approved appropriation can only be amended through a subsequent annual or special town meeting vote.

The Finance Committee is responsible for developing the annual budget and will do so according to the vision, goals, and strategic plans laid out by the Select Board. The budget presented to town meeting voters shall be the Select Board’s finalized proposal. As the advisor for the interests of town meeting voters, the Finance Committee makes recommendations on all financial matters, including the budget. It is the goal of these parties to work together in a collaborative manner to present voters with a consensus budget.

All parties applicable under this policy are expected to conform to the milestone time frames laid out in section C and detailed in the Budget Cycle Calendar. In addition, all department heads will timely provide the Town Coordinator with all requisite information for the creation of an informative and reader-friendly budget document, which will be made available to voters in advance of town meeting. As a model for the budget document, the Finance Committee will use the standards established by the Government Finance Officers Association (GFOA) in its Distinguished Budget Presentation program.

A. Budget Goals

At minimum each year, the Town’s budget goals will include the following provisions:

- **General Fund** -- The goals for the general fund budget include preserving core services, fulfilling required mandates, and maintaining or enhancing the local quality of life, while also ensuring reserve levels that will allow flexibility to respond to changes in the economy and other unanticipated issues that could potentially affect the Town's fiscal health.
- **Capital investment** —To pay for items in the capital plan, the Town will strive to maintain the annual capital funding levels spelled out in the Capital Planning and Debt Management policies. Beyond this, the Town will plan to regularly fund, within departmental operating budgets, the maintenance costs for capital equipment, facilities, infrastructure, and other assets to maximize their useful lifespans.

B. Principles for Balanced and Sustainable Budgets

The Finance Committee will prepare an annual budget for approval by the Select Board and eventual incorporation in the annual town meeting warrant. To ensure maximum efficiencies, the Finance Committee, in partnership with the Select Board, will also review and report on the Town's methods of operation, program service delivery, resource expenditures, and manpower allocation. To assure the budget proposal is balanced and provides for sustainable trends in future budget years, the following principles will apply:

- Recurring revenues (e.g., property taxes, vehicle excises, service fees and charges, state aid) will be sufficient to support recurring expenditures (e.g., employee wages and benefits, materials, supplies, contracted costs, debt service).
- The Town will avoid using any one-time revenue source to fund ongoing services unless necessitated by exceptional circumstances. Any such usage will require the Finance Committee to document a plan for replacing this revenue source in future years.
- Departmental budgets will be prepared to reflect the full costs of providing the services.
- Commitments to new wage increases and service enhancements can be considered after core services have been secured with recurring revenue.
- The Town Coordinator will cultivate a strong, communicative relationship with the Pioneer Valley Regional School District School Committee, regional authorities, and other collaboratives the community participates in to obtain early notice of their budget directions.

C. Budget Calendar

The budget process will be coordinated in a way that major policy issues are identified for review and discussion several months prior to budget approval. This will allow adequate time for public input and analysis of options. Annual and capital budget activities, beginning in each October with a kick-off meeting and continuing through annual town meeting in May, will be published in an annual budget calendar that specifies dates for estimating initial revenue projections, sending out appropriation guidelines and returning departmental requests, updating the capital improvement plan, compiling a working budget, and completing the finalized budget proposal. It will allow for hearings, reviews and approvals at different levels and account for the time needed to print and distribute the warrant.

D. Budget Monitoring

The Town Accountant will continually monitor the budget and provide regular formal reports to the Town Coordinator, Select Board, and Finance Committee. Budget-to-actual revenues will be reported at least quarterly to ensure timely budget adjustments, if needed, and thereby prevent any potential revenue deficit. Budget-to-actual expenditure balances will be reported monthly to ensure that the total expenditures and purchase commitments in any account does not exceed the authorized budget for that account.

The Town will take immediate corrective actions if at any time during the fiscal year expenditure or revenue estimates indicate a projected operating deficit by year-end. Corrective actions can include, but are not limited to, hiring freezes, expenditure reductions, layoffs, or use of contingency funds.

E. Cyclical Budget-Related Activities

Beyond the development, implementation, and monitoring of the budget, the budget cycle encompasses other events throughout the fiscal year. These include providing instructions for closing one fiscal year and opening of the new one in compliance with the Year-End Closing policy, preparing for an audit, submitting state reports and other documentation, and evaluating prior year results as found in the Budget Cycle Calendar in the Appendix.

LEYDEN REFERENCES

Policies	• Capital Planning • Debt Management • Financial Reserves • Forecasting • Other Postemployment Benefits Liability • Year-End Closing
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EXTERNAL REFERENCES

M.G.L.		
c. 39, § 16	c. 41, §§ 15A, 57, 58, 59, 60	c.44, §§31, 33A, 33B, 53A
c. 58, §§ 25, 25A	c. 59, § 21C	c. 69, §1B
c. 70	c. 78, §19A-19B	

Division of Local Services (DLS) Best Practices: [The Annual Budget Process Specific to Towns](#)

DLS Informational Guideline Releases [17-13: Appropriation Transfers](#)

DLS [Municipal Calendar](#)

Association of Town Finance Committees [Finance Committee Handbook](#)

Government Finance Officers Association Best Practices: [*Achieving a Structurally Balanced Budget*](#), [*Working Capital Targets for Enterprise Funds*](#), and [*Distinguished Budget Presentation Criteria*](#)

CAPITAL PLANNING

Applies to:	▪ All department heads in planning for and requesting capital projects ▪ Select Board and Finance Committee in reviewing, evaluating and prioritizing capital expenditure requests
Scope:	▪ All current and proposed capital projects for assets owned by the Town
Date:	[Date]

PURPOSE

To assure the Town can cost-effectively acquire, expand, or enhance the capital assets necessary to achieve its service provision goals, this policy outlines guidance for planning, reviewing, and coordinating capital improvements.

POLICY

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

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

A. Definition of a Capital Improvement

A capital improvement is a tangible asset or project estimated to cost over \$10,000, to have or to extend five or more years of useful life and are purchased or undertaken at intervals of not less than five-years. These include:

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

B. Capital Asset Inventory

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

C. Evaluation of Capital Projects

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

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

D. Multiyear Capital Improvement Plan

The Select Board will annually update a five-year capital improvement plan (CIP) and provide it to the Finance Committee. The CIP will include the upcoming fiscal year's capital budget and a four-year projection of capital needs and expenditures that details their estimated costs, descriptions, and anticipated funding sources. Only projects that have gone through the evaluation process will be included in the CIP unless required by an emergency. In this case, a written report explaining the emergency must be provided to the Select Board.

E. Capital Financing

Annually, the Town will strive to maintain 5-7% of the general fund operating budget, net of debt, on capital investment allocations. The CIP shall be prepared and financed in accordance with the following principles:

- Available funds (e.g., free cash, special purpose stabilization funds) will be a funding source for capital projects as much as practical.
- Short-term debt may be used to fully finance purchases with useful lifespans of less than 10 years.
- In accordance with Leyden's Debt Management policy, the Town will restrict long-term debt funding to projects with lifespans greater than 10 years and costs exceeding \$50,000.
- Before any long-term, bonded capital project is recommended, the project's annual operating costs and debt service costs shall be identified.
- Special revenue sources (e.g., grants, revolving funds) shall be evaluated as funding options whenever practical.

- Major capital projects, such as new construction or major renovations to existing facilities, may be accomplished through capital or debt exclusions.
- Infrastructure or facility maintenance budgets built into the general operating budget will not be reduced to fund other departmental budgets.

LEYDEN REFERENCES

Policies	• Debt Management • Financial Reserves
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EXTERNAL REFERENCES

M.G.L.
c. 44, § 20

Division of Local Services (DLS) Best Practice: [Presenting and Funding Major Capital Projects](#)

DLS Financial Management Guidance: [Capital Improvement Planning Manual](#) and [Capital Improvement Planning Guide](#)

DEBT MANAGEMENT

Applies to:	▪ Select Board and Finance Committee in their budget decision-making duties ▪ Treasurer's debt management responsibilities
Scope:	All short- and long-term debt obligations permitted to be issued under state law, including general obligation bonds, revenue bonds, bond anticipation notes (BANs), revenue anticipation notes (RANs), grant anticipation notes (GANs), and lease/purchase agreements
Date:	[Date]

PURPOSE

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

POLICY SUMMARY

Long-term debt criteria	▪ Nonrecurring purposes with cost of \$50,000+ and useful life 10+ years
Debt Service Targets	▪ Limit year-to-year debt service at 10% of general fund revenues, with a target balance of 5-7%
Debt Structure	▪ Retire at least 50% of the principal within 10 years ▪ Limit bond maturities to 10 years, except for major buildings, land, and other purposes detailed in the DLS guidelines for useful life borrowing limits

POLICY

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

A. Debt Financing

In financing with debt, the Town will:

1. Issue long-term debt only for purposes that are authorized by state law and qualify for tax-exempt bonds and only when the financing sources have been clearly identified.
2. Use available funds to the greatest extent possible to reduce the amount of borrowing on all debt-financed projects.

3. Confine long-term borrowing to capital improvements and projects that cost at least \$50,000 and that have at least 10 years of useful life or whose useful lifespans will be prolonged by at least 10 years.
4. Refrain from using debt to fund any recurring purpose, such as current operating and maintenance expenditures.
5. Consider using revenue bonds, special assessment bonds, or other types of self-supporting bonds instead of general obligation bonds whenever possible.
6. Use special assessments, betterment assessments, and similar dedicated revenues to fund long-term debt.
7. Retire any debt obtained through a BAN no later than six months after the date that its associated capital project is completed. If there is a financial advantage to deferring the issuance of permanent debt, the Town will make annual reductions to the outstanding principal as if the permanent debt had been issued. This will prevent the Town from carrying any BAN beyond the period in which it is necessary, reduce the interest rate risk the Town will face, and help ensure the timely close out of capital projects.

B. Debt Limits

The Town will adhere to these debt parameters:

1. Total debt service, including debt exclusions and any self-supporting debt, shall be limited to 10% of general fund revenues, with a target balance of 5-7% percent.
2. The Town will seek to replace maturing, non-excluded debt obligations with new issuances, so that year-to-year debt service expenditures are maintained within the target range (see above). If the Town does not replace the rolled-off debt service with a new issuance(s), the amount of the service on the matured debt should be appropriated to the general stabilization fund annually until a new issuance with an equivalent amount of debt service occurs.
3. As dictated by M.G.L. c. 44, § 10, the Town's debt limit shall be five percent of its most recent equalized valuation (EQV).¹

C. Structure and Term of Debt

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

1. The Town will attempt to maintain a long-term debt schedule such that at least 50 percent of outstanding principal will be paid within 10 years.
2. The term of any debt shall not exceed the expected useful life of the capital asset being financed and in no case shall it exceed the maximum allowed by law.
3. The Town will limit bond maturities to no more than 10 years, except for major buildings, land acquisitions, and other purposes in accordance with the useful life borrowing limit guidelines published by the Division of Local Services (DLS).

¹ This limit may be exceeded to pay debt service for issuances that meet criteria laid out in the 24 exceptions listed under [M.G.L. c. 44, § 8](#). In addition, the Town may obtain approval from the Municipal Finance Oversight Board to increase the debt limit up to 10 percent of its EQV.

4. The Town will seek to maintain an average maturity of Town's total outstanding long-term debt at less than 10 years.
5. Any vote to authorize borrowing will include authorization to reduce the amount of the borrowing by the amount of the net premium and accrued interest.
6. For new long-term debt, the Town will pursue net direct debt service schedules with annual principal and interest payments (net of any reimbursements or dedicated revenue sources) that are sustainable using recurring revenues.
7. The Town will work within the DLS State House Note Program or with its financial advisor to follow federal regulations and set time frames for spending borrowed funds to avoid committing arbitrage, paying rebates, fines and penalties to the federal government, and jeopardizing any debt issuance's tax-exempt status.

D. Bond Refunding

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

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

E. Protection of Bond Rating

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

1. Maintain good communications with bond rating agencies, bond counsel, banks, financial advisors, and others involved in debt issuance and management.
2. Follow a policy of full disclosure on every financial report and bond prospectus, including data on total outstanding debt per capita, as a percentage of per capita personal income, and as a percentage of total assessed property value.

F. Reporting

1. The Treasurer will report to the Select Board and Town Coordinator on the Town's debt status at least annually.
2. The Town Accountant will include an indebtedness summary as part of a report on receipts and expenditures in Leyden's Annual Town Report.
3. The Town Accountant, with the Town's financial advisor, will file an annual audit report and continuing disclosure statement within 270 days of the end of the fiscal year for debt with continuing disclosure requirements.

LEYDEN REFERENCES

Policies	• Capital Planning
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EXTERNAL REFERENCES

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

[26 USC § 148](#)

DLS Best Practice: [Understanding Municipal Debt](#)

DLS Borrowing Guidelines: [Asset Useful Life - Borrowing Limits](#)

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](#)

FINANCIAL RESERVES

Applies to:	▪ Select Board and Finance Committee in their budget decision-making duties ▪ Board of Assessors and Town Accountant job duties
Scope:	▪ Goals for and appropriate use of financial reserves, including free cash, stabilization funds, retained earnings, and overlay surplus
Date:	[Date]

PURPOSE

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

POLICY

The Town is committed to building and maintaining its reserves to have budgetary flexibility for unexpected events and significant disruptions in revenue-expenditure patterns and to provide a source of available funds for future capital expenditures. In total for the general fund reserves under this policy, the Town will strive to maintain a minimum funding level of 17 percent of its annual operating budget. Equating to two months' worth of operating expenditures, this is a generally accepted reserve target for small communities with modest budgets and limited access to the bond market. Adherence to this policy will help the Town withstand periods of decreased revenues and control spending during periods of increased revenues. There are multiple types of reserves, including free cash, stabilization funds, and overlay surplus.

A. Free Cash

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

To generate free cash, the Finance Committee will propose budgets with conservative revenue projections, and department heads will carefully manage their appropriations to produce excess income and budget turn backs. As much as practicable, the Town will limit its use of free cash to funding one-time expenditures (such as capital projects, snow and ice deficits, or emergencies).

The Town shall set a goal of maintaining its year-end unappropriated free cash balance in the range of 3-5% percent of the annual general fund budget. The Town will appropriate the excess above this target range to build reserves or to offset unfunded liabilities.

B. Stabilization Funds

A stabilization fund is a reserve account allowed by state law to set aside monies to be available for future spending purposes, including emergencies or capital expenditures, although it may be appropriated for any lawful purpose. Leyden currently has a general stabilization fund and [three] special purpose stabilization funds authorized under [M.G.L. c. 40 § 5B](#) as detailed below.

General Stabilization: The Town will endeavor to gradually increase the amount annually appropriated to the general stabilization fund with the goal of achieving and maintaining a minimum balance of 12% of the operating budget. Withdrawals from general stabilization should only be used to mitigate emergencies or other unanticipated events and for one-time capital expenditures. When possible, withdrawals of funds should be limited to the amount available above the 12% minimum reserve target level. If any necessary withdrawal drives the balance below the minimum level, the withdrawal should be limited to one-third of the general stabilization fund balance. Further, the Finance Committee will develop a detailed plan to replenish the fund to the minimum level within the next two fiscal years.

Special Purpose Stabilization Funds: The Town currently has eight special purpose stabilization funds:

Fire Department Stabilization Fund: The Town will annually appropriate or transfer from available funds for the purpose of funding replacement fire apparatus.

Police Capital Stabilization Fund: The Town will annually appropriate or transfer from available funds for the purpose of funding equipment needs for the shared police services.

Highway Stabilization Fund: The Town will annually appropriate or transfer from available funds for the purpose of funding highway equipment.

Technology Stabilization Fund: The Town will annually appropriate or transfer from available funds for the purpose of funding technology upgrades.

Assessor Software Stabilization Fund: The Town will annually appropriate or transfer from available funds for the purpose of funding CAMA, mapping and technology updates.

Historical Stabilization Fund: The Town will annually appropriate or transfer from available funds for the purpose of funding local historical preservation efforts.

Library Stabilization Fund: The Town will annually appropriate or transfer from available funds for the purpose of funding improvements to the library.

Town Building Stabilization Fund: The Town will annually appropriate or transfer from available funds for the purpose of funding the maintenance of Town owned buildings.

Recommended [Capital Improvement Stabilization Fund: The Town will appropriate annually to this fund so that over time it achieves a target balance sufficient to cover the Town’s cash outlay for capital. The fund’s target balance shall be 15-20% of the Town’s annual operating budget.]

C. Overlay Surplus

The purpose of the overlay reserve is to offset unrealized revenue resulting from uncollected property taxes, abatements, and exemptions. It can be used for other purposes only after it is determined to have a surplus. Therefore, unlike the other two types of general fund reserves, this policy does not set a consistent, specific funding target for the overlay. Rather, each year as part of the budget process, the Board of Assessors will vote to raise an overlay amount on the annual tax recapitulation sheet based on the following:

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

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

LEYDEN REFERENCES

Policies	• Annual Budget Process • Capital Planning • Debt Management • Forecasting • Overlay
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EXTERNAL REFERENCES

M.G.L.	
c. 40 § 5B	c. 59 § 25

DLS Best Practices: [Free Cash](#) and [Special Purpose Stabilization 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](#)

FORECASTING

Applies to:	▪ Select Board and Finance Committee in their budget decision-making duties ▪ Assistant Assessor and Town Coordinator job duties
Scope:	▪ Creation, revision, and year-to-year conversion of a multiyear forecast of revenues and expenditures as part of the annual budget process ▪ Guidelines for formulating the assumptions that form the basis for forecast projections
Date:	[Date]

PURPOSE

To assess the range of choices available to budget decision makers when determining how to allocate resources, this policy establishes guidelines for creating multiyear projections of revenues and expenditures as part of the annual budget process and long-term fiscal planning. Forecasting helps local officials understand the long-range implications of pending near-term decisions. In so doing, a multiyear forecast helps guide forward-looking budget processes that enable the community to avert potential deficits, promote long-term financial health, and strategize for capital investment and community development.

POLICY

To determine the Town's operating capacity for future fiscal years, the Finance Committee will annually create a detailed forecast containing five-year projections of revenues and expenditures. The Finance Committee and Select Board will use the forecast to support their decision making for the upcoming year's operating and capital budgets and for the Town's multiyear capital expenditure plan. As a rule, forecasts will remain conservative. In basic terms, this entails reviewing historical revenue and expenditure trends, anticipating factors that may impact those trends going forward, analytically developing assumptions, and then formulating reasonable revenue and realistic expenditure projections.

Early in the annual budget process, the Finance Committee will present the initial forecast to the Select Board. Throughout the budget process, these boards will use the forecast to inform their decision making. In addition, the Finance Committee will promptly revise the forecast projections whenever circumstances change and provide updates to the Select Board.

On an annual basis, the Finance Committee will review the performance accuracy of the prior-year forecast and any evolving factors related to the underlying assumptions to consider how projections in the new forecast may need to be adjusted. Factors to consider include changes in laws, regulations, inflation rate, interest rate, town goals, and policy decisions.

A. Guidelines for Revenue Assumptions

The following principles shall guide the formulation of revenue assumptions:

- Projections of the property tax levy will be confined by the limits of Proposition 2½ (absent any overrides) and take into consideration consensus decisions regarding the Town's level of excess levy capacity.
- New growth projections will consider the Town's three-, five- and 10-year averages by property class and advice from the Board of Assessors.
- The Select Board and Finance Committee will annually review the levy limit's relationship to the levy ceiling (which is 2.5 percent of the Town's real and personal property total value) to identify potential override capacity and to guard against the levy limit approaching or hitting the ceiling, which would impact future levy growth.
- Local aid projections will correspond with economic cycles.
- Estimates for local receipts (e.g., motor vehicle excise, inspection fees, etc.) will not exceed 90 percent of the prior year's actual collections without firm evidence that higher revenues are achievable.
- One-time revenues will not be used in the projections to fund ongoing or recurring operating expenditures.
- Revenues from grant programs will be reviewed annually to determine their sustainability.
- The Town will build and maintain reserves in compliance with its Financial Reserves policy.

B. Guidelines for Expenditure Assumptions

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

The following principles shall guide the formulation of expenditure assumptions:

- The Town's current level of services will provide the baseline for projections.
- Historical trends in the growth of operating expenses and employee benefits will prevail.
- Only known increases due to a compensation plan or schedule for the salaries/wages of regular employees will be factored in the projections.
- Potential cost-of-living adjustments to account for the impact of future wage increases will be calculated independent of the forecast.
- The Town will cultivate a strong relationship with the Pioneer Valley Regional School District's School Committee to receive timely, long-term estimates of district assessments.
- The Town will pay its annual pension contributions and make appropriations to amortize its other postemployment benefits liability.
- The Town will pay all existing debt service obligations and adhere to its Capital Planning and Debt Management policies.

LEYDEN REFERENCES

Policies	• Annual Budget Process
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	• Capital Planning • Debt Management • Forecasting • Overlay
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EXTERNAL REFERENCES

M.G.L.		
c. 44, § 20	c. 44, § 53A½	c. 44, § 63A
c. 44, § 53A	c. 44, § 63	

Leyden Financial Reserves, Grants Management, and One-Time Revenues

DLS Best Practice: [Revenue and Expenditure Forecasting](#)

Government Finance Officers Association article: [Financial Forecasting in the Budget Preparation Process](#)

INVESTMENTS

Applies to:	▪ Treasurer's statutory duty to invest Town funds ▪ Any investment advisor(s) with whom the Treasurer contracts
Scope:	▪ Goals, objectives, and allowable practices related to all of the Town's short-term operating funds and its long-term reserve, investment, and trust funds
Date:	[Date]

PURPOSE

To ensure the Town's public funds achieve the highest possible rates of return that are reasonably available while following prudent standards associated with safety, liquidity and yield, this policy establishes investment guidelines and responsibilities. In addition, the policy has been designed to comply with the Governmental Accounting Standards Board's requirement that every community define and disclose its investment risk management strategy.

POLICY

The Treasurer will invest funds in a manner that meets the Town's daily operating cash flow requirements and conforms to state statutes governing public funds while also adhering to prudent investment standards. The Treasurer will manage all investments to achieve a fair market average rate of return within the context of all relevant statutory, safety, and liquidity constraints.

A. Investment Objectives

In priority order, the Treasurer's investment objectives shall be:

- **Safety:** Safety of principal is foremost, and the Treasurer will adhere to this policy's risk mitigation strategies for the purpose of preserving capital in the overall portfolio.
- **Liquidity:** The investment portfolio must remain sufficiently liquid to enable it to meet all reasonably anticipated operating requirements.
- **Yield:** The investment portfolio will be designed with the objective of attaining a fair market average rate of return throughout budgetary and economic cycles, in accordance with the Town's investment risk constraints and the portfolio's cash flow characteristics.

The Treasurer will ensure that all **short-term operating funds**, such as general funds, special revenue funds, bond proceeds, and capital project funds remain sufficiently liquid to pay all reasonably anticipated operating requirements and debt service.

For **trusts and other long-term funds** (e.g., stabilization funds, cemetery perpetual care, and any similar funds set aside for long-term use), liquidity is less important than growth. The Treasurer will pool any individual funds that are invested in the same institution while also maintaining each fund in its own account to allow for the proper proportioning of interest and any realized and unrealized gains or losses. All trust funds are under the Treasurer's control unless otherwise directed by their particular donor(s).

B. Standards of Care

If the Town accepts [M.G.L. c. 44, § 54 subsection \(b\)\(1\)](#), the Treasurer is authorized to pool and invest trust funds (and only trust funds) in accordance with the standards of care outlined in the Prudent Investor Act ([M.G.L. c. 203C](#)). If the (b)(1) subsection is not locally accepted, all investments by the Treasurer must comply with the more restrictive provisions found in [M.G.L. c. 44, § 54, 55, 55A](#) and [55B](#) and outlined in the table in Section D below. The Treasurer shall be relieved of personal responsibility for any individual security's credit risk or market price changes, provided that its purchase and sale agreement had been executed in accordance with the applicable statutes and the provisions of this policy.

C. Conflict of Interest

The Treasurer is prohibited from making a deposit in any bank, trust company, or banking company for which he or she is or has been an officer or employee at any time in the last three years. The Treasurer will refrain from any personal activity that may conflict with the proper execution of the investment program or that could impair or appear to impair the ability to make impartial investment decisions. The Treasurer will disclose to the Town Coordinator and Select Board any large personal financial investment positions or loans that could be related to the performance of the Town's investments. Further, when contracting for any investment services, the Treasurer will adhere to requirements under [M.G.L. c. 30B](#) and the Town's Procurement Conflict of Interest policy.

D. Investment Instruments

Unless the Town has accepted M.G.L. c. 44, § 54 subsection (b)(1) for the investment of trust funds, all short- and long-term investments by the Treasurer must adhere to the guidelines and allowable investment instruments outlined below.

Instrument Type	Short-term Funds	Long-term Funds
Depository accounts in Massachusetts state-chartered banks, including savings, checking and NOW accounts, and money market deposit accounts	No limitations	No limitations
Certificates of deposit (CDs) in Massachusetts state-chartered banks only	Unlimited amounts and maturity up to three years	No limits on amounts or maturity dates
The Massachusetts Municipal Depository Trust (MMDT) , the State Treasurer's investment pool for public entities.	No limitations and the pool is liquid	No limitations

Instrument Type	Short-term Funds	Long-term Funds
U.S. Treasury or other U.S. government agency obligations	Unlimited amounts and up to one year from date of maturity	No limitations
Bank-issued repurchase agreements (“repos”) secured by U.S. Treasury or other U.S. government agency	Maximum maturity of 90 days	Repos are by their nature short-term and therefore not appropriate for the growth objective of long-term funds.
Money market mutual funds	▪ Must be registered with the Securities and Exchange Commission (SEC) ▪ Must have the highest possible rating from at least one rating organization ▪ These are liquid investments, so maturity term is not applicable	▪ Must be registered with the SEC ▪ Must have the highest possible rating from at least one rating organization
Common and preferred stock, investment funds, and any other type of investment instrument specified in the List of Legal Investments	Not allowed	▪ The Town’s aggregate amount of long-term funds must exceed \$250,000 to invest in these. ▪ Investment in mortgages, collateral loans, and international obligations is prohibited. ▪ Cannot invest more than 1.5% of a fund in the stock of any single banking or insurance company ▪ Cannot invest more than 15% of total aggregated funds in banking or insurance company stocks

Note: This policy confines the allowed depository accounts only to those offered by Massachusetts state-chartered banks, a provision that is more restrictive than state statutes and the Massachusetts Collectors & Treasurers Association’s sample investment policy statement. The reason is that the MA-chartered banks’ depository accounts are fully insured through a combination of the Federal Deposit Insurance Corporation and the state’s Depositors Insurance Fund. However, funds placed in these banks’ mutual funds or annuity products are not covered by either insurance, and the Treasurer must manage those and any other type of investments in accordance with other applicable provisions of this policy.

E. Risk Tolerance Guidelines

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

Type of Risk	Mitigation Strategy
Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.	- Investments in any of the following are safe from credit risk: state-chartered banks' depository accounts (including CDs), obligations backed by the U.S. Treasury or other U.S. government agency, and the MMDT. - For any other investments, the Treasurer will only purchase investment grade securities highly concentrated in those rated A or better.
Concentration of credit risk is the risk arising from all funds being invested in a single issuer.	The Treasurer will diversify the portfolio among multiple issuers/institutions (see Section E).
Custodial risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Town would not be able to recover deposits or to recover collateral securities in the possession of an outside party.	The Treasurer will negate this risk by only making deposits at MA-chartered banks.
Custodial risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the Town would not be able to recover the value of an investment or to recover collateral securities in the possession of an outside party.	- The Treasurer will review the financial institution's financial statements and its advisor's background to ensure it has proven financial strength, capital adequacy, and an overall positive reputation in the municipal investment industry (see Section F). - If a security is to be held by a third-party custodian, the Treasurer must approve that party and verify that the security is held in the Town's name and tax ID number, as evidenced by its CUSIP (Committee on Uniform Security Identification Procedures) code.
Interest rate risk is the risk that interest rate changes will adversely affect an investment's fair market value.	The Treasurer will negotiate for competitive interest rates that are locked in for long terms.
Foreign currency risk is the risk that an investment will lose value as the result of an unfavorable exchange rate.	The Treasurer will negate this risk by not investing in any instruments with foreign currency exposures.

F. Diversification

The Treasurer will invest in a diverse portfolio to prevent overconcentration in any institution, issuer, or maturity type. Apart from money placed in the MMDT or obligations backed by U.S. government

agencies, the Treasurer will invest no more than 25 percent the Town's long-term funds with a single financial institution or security type for more than five business days. In addition, the Treasurer will ensure compliance with the various allowable percentage thresholds for specific investment instruments and issuers set forth in the List of Legal Investments.

G. Selection of and Relationship with Financial Institutions

When selecting from among MA-chartered banks to hold short-term funds, the Treasurer will consider their fee structure, service efficiencies, and account management control features. For investing long-term funds, the Treasurer will also assess the soundness, stability and reputation of prospective financial institutions and dealers/brokers. Brokers must be recognized, reputable dealers and members of the Financial Industry Regulatory Authority. The Treasurer will require any brokerage houses and brokers/dealers wishing to do business with the Town to provide the following:

- Audited financial statements
- Form ADV Part 2 showing the broker/dealer to be actively registered with both the SEC and Massachusetts Secretary of State's Office and providing information on the types of services offered, fee schedule, disciplinary information, conflicts of interest, and the educational and business background of management and key advisory personnel
- Statement that the broker/dealer has read and will comply with this policy

The Treasurer will also consult the [Veribanc](#) rating service to select and monitor financial institutions. The Treasurer may invest in institutions rated green by Veribanc and will continue to review their ratings quarterly. If a bank's rating turns yellow, the Treasurer will request the bank provide a written explanation with an expected timetable for changing back to green. If the rating remains yellow for a second quarter, the Treasurer will consider liquidating all funds that are uninsured or uncollateralized. If any rating becomes red, the Treasurer will remove the money from the banking institution.

The Treasurer will review all banking and financial services at least annually to ensure their quality and the competitiveness of their fee structure and interest rates. On an annual basis, the Treasurer will also send letters to banks in the local region requesting them to report all usage of the Town's tax identification number to ensure the number is used only by the Treasurer and no outside entities.

H. Reporting Requirements

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

- List of all the individual accounts and securities held at the end of the period
- List of short-term investment portfolios by security type and maturity to ensure compliance with the diversification and maturity guidelines
- Summary of income earned on monthly and year-to-date bases
- Disclosure of the fees associated with managing each fund

- Brief statement of general market and economic conditions and other factors that may affect the Town's cash position
- Statements on the degree of compliance with the provisions of this policy

LEYDEN REFERENCES

Policies	• Procurement Conflict of Interest
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EXTERNAL REFERENCES

M.G.L.		
c. 30B	c. 44, § 55	c. 110A, § 201
c. 29, § 38A	c. 44, § 55A	c. 167, § 15A
c. 44, § 54	c. 44, § 55B	c. 203C

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

MA Division of Banks [List of Legal Investments](#) and [Find Banks and Credit Unions](#)

Massachusetts Depositors Insurance Fund [FAQs](#)

MA Secretary of State webpage, [Registration Inspections, Compliance and Examinations Section](#)

SEC webpage [Form ADV Information](#)

OTHER POSTEMPLOYMENT BENEFITS LIABILITY

Applies to:	▪ Select Board and Finance Committee in budget decision-making duties ▪ Town Coordinator, Town Accountant and Treasurer job duties
Scope:	▪ Budget decisions related to the Town's OPEB liability ▪ Liability mitigation
Date:	[Date]

PURPOSE

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

BACKGROUND

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

POLICY

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

A. Accounting for and Reporting the OPEB Liability

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

B. Trust Management and Investment

² Leyden qualifies to use the Alternative Measurement Method (AMM) to comply with the valuation requirement. The AMM permits simplified methods for setting the assumptions used in the calculation thus reducing the Town's cost.

The Town needs to establish an OPEB Trust Fund and designate the Treasurer as its trustee. As fund custodian, the Treasurer will manage the OPEB Trust Fund in conformance with the Town's investment policy. On an annual basis, the Town will analyze its option to invest the OPEB trust with the [State Retiree Benefits Trust Fund](#)³.

C. Mitigation

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

D. OPEB Funding Strategies

To address the OPEB liability, decision makers will analyze a variety of funding strategies and subsequently implement them as appropriate with the intention of fully funding the obligation. The Town will derive funding for the OPEB Trust Fund from taxation, free cash, and any other legal form.

Achieving full funding of the liability requires the Town to commit to funding its actuarially determined contribution (ADC) each year. Among strategies to consider for funding the ADC:

- Appropriate an annually increasing dollar amount or percentage of yearly general fund revenues.
- Determine and commit to appropriating an annual portion of free cash.
- Transfer unexpended funds from insurance line items to the OPEB Trust Fund.
- Appropriate amounts equal to the Town's Medicare Part D reimbursements.
- Once the pension system's accrued liability has been fully funded, on a subsequent annual basis, appropriate to the OPEB Trust Fund an amount equivalent to the former unfunded liability expense (i.e., separate from the normal cost).

LEYDEN REFERENCES

Policies	• Annual Budget Process • Financial Reserves • Investments
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EXTERNAL REFERENCES

M.G.L.		
c. 32B, § 20 and 20A	c. 44, § 54 and 55	c. 203C

Division of Local Services Information Guideline Release 19-10 [Other Postemployment Benefits Liability Trust Fund](#)

³ The State Retiree Benefits Trust Fund requires a minimum investment of \$100,000 but may be waived at the request of the Town. More information can be found here <https://www.mass.gov/how-to/investing-in-the-srbtf>.

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 \(OPEB\)](#)

OVERLAY

Applies to:	▪ Select Board and Finance Committee in budget decision-making duties ▪ Town Coordinator, Town Accountant, Board of Assessors and Assistant Assessor job duties
Scope:	▪ To establish an allowance for abatements and exemptions
Date:	[Date]

PURPOSE

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

BACKGROUND

The statute providing for an overlay account ([M.G.L. c. 59, §25](#)) was modified effective November 2016 to allow the maintenance of a single account. Previously, separate overlay reserves accounts for each fiscal year was required. Although this policy treats overlay as a single account, to continue historical information and facilitate reconciliations, the Town Accountant may elect to maintain subsidiary ledgers by levy year for overlay balances.

POLICY

A. Annual Overlay

Each year, the Board of Assessors will vote in an open meeting to authorize a contribution to the overlay account as part of the budget process and to raise it without appropriation on the Town's tax recapitulation sheet. The Assistant Assessor will determine and propose to the Board the amount to be added to the overlay account based on the following:

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

The Board of Assessors shall notify the Town Coordinator and the Town Accountant of the amount of overlay voted.

B. Excess Overlay

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

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

Upon determining any excess in the overlay account, the Assistant Assessor will present the analysis to the Board of Assessors for its review and notify the Town Coordinator.

C. Overlay Surplus

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

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

LEYDEN REFERENCES

Policies	• Financial Reserves
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EXTERNAL REFERENCES

M.G.L.
c. 59, §25

DLS Informational Guideline Release 17-23: [Overlay and Overlay Surplus](#)

PROSPECTIVE SHARED SERVICES

Applies to:	- Select Board in their duties to strategically plan for the Town's long-range goals - Finance Committee in its advisory role for the fiscal interests of Town Meeting - Town officials, employees, contractors, or other stakeholders who may be called upon to participate in the analysis of a prospective shared service
Scope:	The early-stage evaluation of the potential for pursuing new intercommunity shared services.
Date:	[Date]

PURPOSE

To ensure the Town continually examines opportunities to improve the economy, efficiency and effectiveness of its services, this policy lays out guidance for identifying, analyzing, and proposing potential regional service agreements.

BACKGROUND

Massachusetts general laws contain numerous provisions that allow municipalities to work together to provide services under a variety of arrangements. These include establishing intermunicipal agreements (IMA), mutually contracting for services, forming regional districts, purchasing shared equipment, providing mutual aid, and others. To date, the Town has entered into agreements with neighboring communities to share the costs and responsibilities associated with providing the following services:

Service	Partners
Police	Bernardston
Council of Aging	Southern Hilltowns COA Consortium
Veteran's Services	Hampshire Veterans Services
Ambulance Service	Colrain
Public Health	Franklin Regional Council on Government
Inspectional Services	Franklin Regional Council on Government

POLICY

As part of long-range planning, the Town will proactively consider potential opportunities to enter into shared service agreements with nearby communities. The potential to achieve significant cost-savings does not have to be the sole driving factor for considering a shared service opportunity. Other valid justifications can include potential improvements in service efficiency or effectiveness, mitigation of risk liabilities to the Town, compliance with statutory mandates, and promotion of long-term sustainability.

A. Networking

The members of the Select Board and Finance Committee and the Town Coordinator will actively develop relationships with counterparts in nearby communities to learn about common concerns, existing or potential shared service agreements, and useful resources. The Town supports employees' and officials' memberships in municipal associations and attendance at educational conferences, which can be helpful in this regard.

B. Timing

The Select Board and Town Coordinator will be on alert for the occurrence of the following circumstances as prompts to considering shared services:

- Other community(s) proposing a shared service
- Department head's notification that he or she will be leaving Town service
- Upcoming expiration in a town contract
- Impending capital expenditure or equipment purchase
- Gifts to the Town or grant programs that present the potential to fund start-up costs

In response to these types of occurrences, the Select Board will direct the Town Coordinator to begin the analysis under Section C.

C. Research and Preliminary Cost-Benefit Analysis

The Select Board will appoint one of its members as a liaison to investigating prospective shared services. The Town Coordinator has shared responsibility with the Select Board appointee for conducting the initial research into a prospective shared service. Along with enlisting the expertise of Town employees as needed, this effort will involve having exploratory discussions with potential partner communities, assembling and analyzing relevant data sets, doing cost analyses, and assessing organizational impacts. Potential stakeholders will also be identified as a part of this process. These are the individuals or groups who may be impacted by the proposal and those who could directly or indirectly influence the process.

A written report of the results of the analysis will be provided to the entire Select Board. If the findings support further pursuing the prospect, the report should clearly explain:

- The specific objective(s) that could be accomplished by sharing the service
- The reason for selecting the prospective partner community(s)
- Potential structure of the relationship, such as (but not limited to):
 - One community is the host that provides services to the other(s)
 - Forming a regional district
 - Contracting for services
- Potential type of agreement (e.g., IMA, memorandum of understanding, etc.)
- Organizational impact
- Potential cost-savings

- Existence of any outside funding potentially available for start-up costs, along with information on the viability of sustaining the service when grant funds are no longer available.

If the findings do not support going forward, the report will lay out that argument in similar fashion.

D. Steering Committee

The Select Board will review the prospective partnership report and will vote on the recommendation. If the Select Board vote to continue a process toward a new shared service, they will then appoint Town representatives to an intercommunity steering committee charged to conduct a more detailed study into the prospect.

EXTERNAL REFERENCES

MA Community Compact Cabinet: [Efficiency & Regionalization Grant Program](#)

Massachusetts Association of Regional Planning Agencies: [Massachusetts Shared Services Manual](#)

FINANCIAL OPERATIONS POLICIES

ANTIFRAUD

Applies to:	▪ All elected and appointed City officials and employees ▪ All other persons acting on behalf of the Town, such as vendors, contractors, volunteers, casual employees, and grant subrecipients
Scope:	▪ Any suspected fraud, abuse, or similar irregularity against the Town
Date:	[Date]

PURPOSE

To protect the Town's assets and reputation from misappropriation and abuse, this policy provides guidelines to safeguard against fraudulent activities or any appearance thereof. Policy objectives include:

- To create an environment in which employees and citizens can report any suspicion of fraud
- To communicate the Town's intent to prevent, report, investigate, and disclose to proper authorities suspected fraud, abuse, and similar irregularities
- To provide management with guidelines and responsibilities regarding appropriate actions in conducting investigations of alleged fraud and similar improprieties

POLICY

The Town is committed to protecting its revenue, property, information, and other assets from any attempt, either by members of the public, contractors, consultants, vendors, agents, or its own employees, to gain by deceit, financial or other benefits at the expense of taxpayers. Town officials, employees and other persons acting on behalf of the Town must, at all times, comply with all applicable policies, laws, and regulations. "Person acting on behalf of the Town" refers to any individual responsible for or to Leyden's government placed in that position by some official relationship with the Town.

The Town will not condone any violation of law or ethical business practices and will not permit any activity that fails to withstand the closest possible public scrutiny. The Town intends to fully, objectively, and impartially investigate any suspected acts of fraud or other similar irregularities regardless of the position, title, length of service, or relationship with the government of any party who may be the subject of such investigation.

A. Actions Constituting Fraud or Abuse

Fraud and abuse of authority can take many forms, all of which are covered by this policy and described in examples below.

Abuse of authority can occur in financial or nonfinancial settings and refers to, but is not limited to:

- Improper use or misuse of authority
- Improper use or misuse of Town property, equipment, materials, records, or other resources
- Waste of public funds

Fraudulent activity includes, but is not limited to, the following:

- Any dishonest or fraudulent act
- Forgery or alteration of any document or account
- Forgery or alteration of a check, bank draft, or any other financial document
- Misappropriation of funds, securities, supplies, or other assets
- Impropriety in the handling or reporting of money or financial transactions
- Profiteering as a result of insider knowledge of Town activities
- Disclosing confidential or proprietary information to outside parties
- Accepting or seeking anything of material value from consultants, contractors, vendors, or persons providing services or materials to the Town
- Destruction, removal or inappropriate use of records, furniture, fixtures, and equipment
- Any claim for reimbursement of expenses not made for the exclusive benefit of the Town
- Any computer-related activity involving the alteration, destruction, forgery, or manipulation of data for fraudulent purposes
- Any omissions and misrepresentations made in bond offering documents, presentations to rating agencies, and annual financial reports

B. Antifraud Responsibilities

Every employee has a duty to report any suspected fraudulent activity. Department heads are responsible for instituting and maintaining a system of internal controls to reasonably ensure the prevention and detection of fraud. All Town officials, department heads, and supervisory staff must familiarize themselves with the types of fraud that could occur within their areas of responsibility and be alert for any indications of such conduct. The Town Coordinator has primary responsibility for coordinating all fraud investigations.

C. Reporting Suspicion of Fraud

Any Town employee or official who suspects fraud or abuse has occurred will promptly report it to the Town Coordinator, who will duly post the matter for discussion in an executive session of the Select Board. If the suspected fraud or abuse involves the Town Coordinator, the employee/official will report it to the Select Board Chair or to a different member of the Board if the Chair is suspected to be involved. Whoever receives the initial report will document it in writing and include sufficient details to ensure a clear understanding of the issues raised.

The Town Coordinator is accountable for maintaining the confidentiality of all information related to a report of potential fraud or abuse, and the person making the report is protected from retaliation under the provisions of Section H below. The Town therefore strongly encourages individuals to put their names to reports; however, an anonymous report can be emailed to the Town Coordinator.

D. Security of Evidence

Upon receipt of a report of suspected fraud or abuse, the Town Coordinator will take immediate actions to prevent the alteration, theft, or destruction of relevant records and assets. Such actions may include, but are not limited to:

- Limiting access to the location where the records and assets exist
- Preventing access by the individual or individuals suspected of committing fraud or abuse
- Relocating the records and assets to a secure location

E. Investigation

As soon as possible after receipt of a report of potentially fraudulent activity, the Town Coordinator will schedule a Select Board executive session to consider the following:

- Is a formal investigation necessary, and if so, who will lead it?
- Is there an immediate need for legal assistance or advice?
- Is police involvement immediately necessary?
- Is there a need for any external support (e.g., forensic accountants, technology professionals)?
- Should the Select Board and Town Coordinator devise a media strategy on the issue?
- Is there a need to report the issue to any external parties?

The Town will investigate every non-anonymous report of suspected fraud. For any anonymous report, the Select Board will decide whether a formal investigation is justified based on the following:

- Credibility of the concern
- Seriousness of the issue (i.e., magnitude of negative impact to the Town)
- Sufficiency of details provided to enable an investigation

To begin the formal investigation, the Town Coordinator will consult with the Town Counsel to obtain guidance on next steps. From there, the Town Coordinator may also seek the involvement of the Police Chief, Town Accountant, and other personnel as needed. The Town Coordinator may also recommend to the Select Board the employment of an outside consultant to lead the investigation, such as an independent auditor.

F. Conclusion of Investigation, Corrective Actions, and Disclosures

At the investigation's conclusion, the Town Coordinator or other assigned investigator will provide a written report of findings to the Select Board. If it supports a finding of fraud, the Town will pursue disciplinary actions against any individual(s) involved and make every reasonable effort to recover any lost assets. On the advice of Town Counsel, the Select Board may also report the violation(s) to the local district attorney's office to pursue appropriate legal actions.

Additionally, the Town Coordinator, in consultation with the assigned investigator if any, will determine the corrective actions needed to implement new or enhanced internal controls, in the subject department and potentially Town-wide, to mitigate the risk of future fraudulent activity. The

subject department head(s) will subsequently provide the Town Coordinator with updates on the status of the corrective action(s) monthly or upon request.

If the Town's investigation concludes that there was a violation of any federal criminal law involving fraud, bribery, or gratuity potentially affecting a federal award, the Town Coordinator will disclose such in writing to the federal awarding agency in compliance with the Office of Management and Budget's Omni Circular. Similarly, if there are findings of bond offering information falsification, the Town Coordinator will disclose this in writing to the bondholders.

G. Confidentiality and Media Relations

All participants involved in a fraud investigation will keep its details and results confidential so as not to violate any individual's expectation of privacy, and the Town Coordinator will ensure that all related documents are securely stored. No investigation-related verbal information or documents may be shared with anyone not formally assigned to the investigation. No person employed by or otherwise acting on behalf of the Town may make any comment to the media or any other party without explicit authorization from the Town Coordinator or Select Board.

H. Whistleblower Protection

Regardless of an investigation's outcome, no employee who makes a good faith report pursuant to this policy shall be subject to retaliatory actions by Town management, such as:

- Dismissal or threat of dismissal
- Discipline, suspension, or threat of these actions
- Intimidation or coercion
- Any other form of penalization or retaliation

Any party found to have retaliated against an employee for making a report pursuant to this policy will be subject to disciplinary action, up to and including termination.

If an allegation is made in good faith but not confirmed after the investigation concludes, no action will be taken against the originator. Any employee who knowingly makes a false report, provides evidence they know to be false, or provides information without a reasonable belief in its truth and accuracy may be subject to disciplinary action. Evidence of false allegations made with malicious intent will result in disciplinary action, up to and including termination.

I. Ethics Training and Annual Acknowledgments

In July of every year, the Town Coordinator will distribute this policy to all employees and officials along with a copy of the state's conflict of interest law, and each recipient is required to acknowledge receipt. Every two years, all Town employees must complete the state's conflict of interest training. In addition, any Town employee responsible for managing a vendor contract will ensure the vendor receives a copy of this policy and returns a signed acknowledgment. The Town Clerk will maintain a database to track the status of all acknowledgments and employee trainings and will follow up with those who are noncompliant with either requirement.

EXTERNAL REFERENCES

M.G.L.
c. 12, §§ 5A, 5B, 5C, 5D, 5E, 5F, 5J
c. 268A

MA Office of the Inspector General's informational webpage: [What is Fraud?](#)

MA Ethics Commission webpage [Summary of the Conflict of Interest Law for Municipal Employees](#)

DISBURSEMENTS

Applies to:	▪ Town Accountant and Treasurer job duties ▪ Select Board warrant approval responsibilities ▪ Department Heads and elected/appointed officials submitting requests for expense and payroll disbursements
Scope:	▪ Any expenditures made by the Town
Date:	[Date]

PURPOSE

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

POLICY

No disbursement for any payroll or accounts payable (AP) expense shall occur without the prior review and approval of the Town Accountant and Select Board. Accordingly, the Town Accountant is responsible for finalizing every AP and payroll warrant and the Select Board for approving each by majority signatures.

All payroll expenditures must be based on approved time and attendance records and consistent with personal service contracts, classification schedule. All vendor payments must be based on original invoices and issued only to entities with valid form W-9s on file. All invoices must be charged to the proper fiscal year. Payment for any bills payable for a prior fiscal year must be approved by vote of town meeting in accordance with [M.G.L. c. 44, § 64](#).

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

A. Ongoing Maintenance of Payroll and Leave Time Data

The Treasurer is responsible for maintaining a database of all active town employees that includes their salaries, pay rates, stipends, weekly work hours, earned leave time, benefit options, and withholdings within the payroll module. Any change to an employee's employment status, work hours, or pay rate can only be made by the Treasurer based on a personnel action form signed by the appropriate department head, Town Accountant, and with approval of the Select Board.

The Treasurer also has oversight responsibility for maintaining the database of employee leave time accumulations and usage. Any change to any employee's rate of accumulation within the database must be supported by one of the following documents: town meeting authorization, classification schedule, or personal services contract. Deductions to leave time will be based on data reported on weekly time sheets.

B. Responsibilities Related to Disbursement Processing

Each **department head** is responsible for:

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

The **Town Accountant** is responsible for:

- Including each requested expense on the AP/payroll warrant only after validating:
 - Procurement laws were adhered to
 - The submission is legal
 - No fraud is evident
 - Adequate funds exist
- Preparing the AP and payroll warrants and submitting them to the Select Board for approval
- Ensuring the payroll warrant balances with the Treasurer's payroll preliminary report before providing it to the Select Board and subsequently notifying the Treasurer to finalize the payroll
- Updating the general ledger with all AP and payroll warrant expenditures

The **Treasurer** is responsible for:

- Entering payroll data in the payroll database based on departmental time sheets
- Maintaining and updating employee leave time balances database on both pay period and annual accrual bases
- Reviewing the AP warrant and withholding from disbursement any amounts owed to the town by listed payees
- Upon receipt of payroll and AP warrants signed by the Select Board, funding the gross payroll warrant, the Town's portion of Medicare tax, and the gross AP warrant in the associated bank accounts
- Imprinting the AP and payroll checks with the disbursement data using the office printer
- Mailing out all AP checks to the vendors
 - The Treasurer will not give any vendor checks to department heads or other employees to mail
- Notifying department heads to pick up paychecks on pay day
- Updating the cashbook to document the disbursement activity

The **Select Board** members are responsible for:

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

C. Emergency Disbursements

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

D. Petty Cash

To mitigate any risks of illegal expenditures, violations of procurement laws, or instances of expenses exceeding appropriations, petty cash accounts are not authorized.

E. Audit

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

EXTERNAL REFERENCES

M.G.L.
c. 41, §§ 41, 41A, 41B, 41C, 42, 43, 52, 56
c. 44, §§ 56, 58, 64
c. 30B

EMPLOYEE REIMBURSEMENT

Applies to:	▪ All elected and appointed officials and employees
Scope:	▪ Guideline for reimbursable expenses made by employees ▪ Process of obtaining reimbursement for Town related business
Date:	[Date]

PURPOSE

To mitigate opportunities for fraud, waste and abuse, the Town must properly monitor and control reimbursements to employees and officials. This policy establishes rules governing reimbursements for legitimate business-related expenses, including necessary travel expenses incurred in performing official duties. It also provides guidelines for determining reasonable travel-related and other expenses and details the procedures, forms and documentation necessary to receive reimbursement.

POLICY

The Town will reimburse employees for reasonable expenses incurred on the Town's behalf as authorized by their department heads, boards, or committees.

Travel shall be restricted to necessary activities that provide a public benefit, such as training, professional conferences, and other municipal-related activities. All travel on Town business shall be planned for using the most economical mode and class of transportation reasonably available and the most direct and time-efficient route. Employees will travel using government and group rates when available. The Town will not reimburse or pay sales tax but will, however, pay meals and room excise taxes. All travel involving an overnight stay must be requested in writing and approved in advance by the Town Coordinator.

Business-related expenses, such as office supplies, should be procured through the Town's vendors and billed directly to the Town as much as feasible. Whenever this is not possible, the purchase must be made with the department head's approval.

When this policy is not followed, there is no guarantee that all expenditures will be reimbursed. Employees should determine estimates for their travel costs, discuss any extraordinary circumstances and expenses with their department heads, and obtain their authorizations in advance.

A. Unauthorized Expenses

The following expenditures will not be reimbursed:

- Alcoholic beverages and tobacco
- Massachusetts sales tax
- Costs associated with any political or charitable event
- Flowers or other gifts for employees or others
- Expenses incurred by or on behalf of any person who is not a Town employee who accompanies the employee on official business

- Expenses incurred for the sole benefit of the traveler, such as valet service, entertainment, laundry services, etc.
- Theft, loss, or damage to personal property while on Town business
- Non-mileage-related personal automobile expenses, including repairs, insurance, gasoline, and traffic citations

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

B. Reimbursable Expense Categories

Transportation

- Employees authorized to travel using their personal vehicle will be reimbursed at the mileage reimbursement rate established yearly by the Internal Revenue Service (IRS).
- Mileage will be calculated starting from the employee's office location or residence to the destination point, whichever distance is shorter.
- Employees must present receipts to be reimbursed for parking, tolls, airfares, and taxi fares.

Lodging

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

Meals

- If travel requires an employee to be away from home for more than 24 hours, he or she will be reimbursed for reasonable charges for meal expenses.
- Meal costs, including tips and taxes, incurred during approved travel will be reimbursed only upon presentation of itemized receipts. If the receipt is for multiple employees, they should be listed on the back of the receipt.
- Meals included in registration costs cannot be claimed for reimbursement or advance.

Registrations

- Whenever possible, registration fees for any conference, training, or workshop should be paid in advance through the Town's accounts payable warrant process. To pay advance registrations timely, the registration bill must be received in the Town Accountant's office no later than two full weeks prior to the registration deadline.
- If registration is not paid in advance, the employee must pay out-of-pocket and then submit for reimbursement.

Business and Office Supplies

- Employees must obtain department head approval prior to incurring expenses for any business or office supplies, and all purchases made on behalf of the Town must be necessary, reasonable, and appropriate.
- Business-related special postal services or delivery services that are not available through the Town will be reimbursed.

C. Reimbursement Submission

Every claim for reimbursement must be documented using the Employee Reimbursement Form signed by the employee and the authorizing department head. Required information on the form includes: the travel or purchase date(s), purpose or destination, amount(s), and total business-related mileage (as applicable). Except for mileage, the employee must attach to the form a receipt or other valid proof of payment for each reimbursement claim.

Employees should submit for reimbursement as soon as the travel has concluded or the expense has been paid, but at maximum, no later than 30 days after the expenses being incurred. If an employee does not submit the Employee Reimbursement Form and accompanying receipts or other necessary documentation within that time, he or she may be personally responsible for the expenses.

D. Violations

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

E. Audit

All expenses are subject to verification that they comply with this policy and to audit by the Leyden's independent auditor.

FORM

Employee Reimbursement Form

EXTERNAL REFERENCES

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

IRS webpage, [Standard Mileage Rates](#)

FINANCIAL MANAGEMENT TEAM

Applies to:	▪ Town Coordinator, Town Accountant, Treasurer, Collector, and Assistant Assessor job duties
Scope:	▪ Coordination of efforts amongst financial staff
Date:	[Date]

PURPOSE

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

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

POLICY

The Town establishes a financial management team consisting of the Town Coordinator, Town Accountant, Treasurer, Collector, and Assistant Assessor. Meetings of the team will be scheduled at a consistent time each quarter and more frequently when necessary. Agenda topics will include:

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

LEYDEN REFERENCES

Policies	• Capital Planning, Forecasting, Independent Audit, Reconciliations, Year-End Closing
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EXTERNAL REFERENCES

Division of Local Services Best Practice: [Financial Management Team](#)

INDEPENDENT AUDIT

Applies to:	▪ Select Board in the overall responsibility to safeguard the Town's fiscal health ▪ Accountant job duties ▪ Finance department heads and any other town employees whose activities are subject to being audited
Scope:	Goals and objectives for the town's annual engagement with an independent audit firm
Date:	[Date]

PURPOSE

To ensure the reliability, accuracy, and completeness of year-end financial statements and obtain independent verification that appropriate internal controls are in place to protect public assets, this policy sets guidelines for the Town's annual engagement with an external audit firm.

POLICY

The Town's financial statements will be audited every other year by a certified public accounting firm ("independent auditor"). Every annual audit contract will include a requirement to review the Town's financial management practices and report on any identified deficiencies in a management letter.

A. Auditor Selection

To ensure the opportunity for periodic new perspectives on financial practices, the Town will solicit competitive bids from audit firms at six-year intervals. In compliance with state statute, the contract will be awarded to the lowest qualified bidder with a good municipal auditing reputation (i.e., "responsive and responsible" vendor). If the Town selects its incumbent auditor, the firm must agree to rotate audit managers.

B. Audit Engagement

The Accountant will coordinate the independent auditor's access to any requested accounting records, written procedures, or other documents. Every department head, official, or employee must respond to any such request timely and make themselves available to answer any of the independent auditor's questions. Under the vendor contract, the independent auditor will be required to provide the Accountant with preliminary findings and present final audit and management letter results to the Select Board.

C. Corrective Action Plan

Whenever the independent auditor identifies a procedural weakness or deficiency, the independent auditor will describe it in a management letter citation. Upon receiving the management letter, the Select Board will work with the Finance Team, and any other relevant Town employees, to compose a written response to each citation, explaining the Town's corrective action plan (CAP) for the identified issue. This will typically require them to identify the citation's root cause(s) and then

determine what controls must be implemented to correct the cause(s), consulting further with the independent auditor when necessary.

The Accountant will separately provide the Select Board with a CAP report that explains the plans in more detail, including the responsible parties and anticipated time frames for implementing the controls. The Select Board will hold the Accountant and other applicable employees accountable for any citations that repeat in a subsequent year.

D. Time frames and Reporting

Through adherence with the Reconciliations policy, it is the Town’s goal to ensure the independent auditor can complete the audit and management letter by March of the year following the fiscal year-end closing. The Accountant will provide copies of the final versions of both reports to the Division of Local Services within two weeks of receipt.

LEYDEN REFERENCES

Policies	• Financial Reserves
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EXTERNAL REFERENCES

U.S. Office of Management and Budget: [Omni Circular](#)

MA Office of the Inspector General guidance: [A Local Official’s Guide to Procuring and Administering Audit Services](#)

Division of Local Services Best Practice: [Annual External Audits](#)

Government Finance Officers Association Guidance: [Audit Procurement](#)

PROCUREMENT - CONFLICT OF INTEREST

Applies to:	▪ All Town employees, officials, and others working on the Town's behalf who are involved with procurements ▪ Prospective contractors
Scope:	Guidelines for vetting conflicts of interest related to all procurements
Date:	[Date]

PURPOSE

To ensure integrity in the procurement process, this policy sets guidelines for vetting potential conflicts of interest.

POLICY

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

A. Confidentiality during the Bid Evaluation Process

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

The departmental purchasing employee will:

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

The Town Coordinator will:

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

B. Conflict of Interest in Procurement

To ensure decisions are made independently and impartially, Town employees and officials are expected to avoid any conflicts of interest and also avoid the appearance of conflicts of interest. A conflict of interest, or the appearance of one, must be disclosed whenever a vendor, employee, or officer has, or can reasonably anticipate having, an ownership interest, a significant executive

position, or other remunerative relationship with a prospective supplier of goods or services to the Town or knows that a family member or other person with whom they have a personal or financial relationship has such an interest.

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

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

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

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

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

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

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

3. If a possible conflict of interest is identified, it must be documented and reviewed with Town Counsel.

The departmental purchasing employee will:

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

The Town Coordinator will:

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

C. Compliance Reviews

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

EXTERNAL REFERENCES

M.G.L.
M.G.L. c. 268A
M.G.L. c. 41, § 57
c. 30B

U.S. Office of Management and Budget: [Omni Circular](#)

MA State Ethics Commission webpage: [Disclosure Forms for Municipal Employees](#)

MA Inspector General webpage: [Procurement Assistance](#)

Purchasing Policy:

It is the responsibility of all department heads and all others with spending authority to understand procurement rules under MGL Chapter 30B as they apply to municipalities. In general, Chapter 30B establishes the following rules for routine departmental purchases of goods and services (not associated with a construction project):

Under \$10,000 — Sound business practices should be used with the award going to a vendor offering the best price. The town has accounts with several vendors and purchases made will generate an invoice. The town also has a limited credit line for purchases with Amazon and Staples for office supplies. A town usage form for these two vendors must be filled out prior to purchase, signed by the department head and submitted to the Town Coordinator to purchase. The Town Coordinator will submit for payment to the Town Accountant once supplies are received.

The Town discourages employees from using or making purchases for Town purposes with personal funds.

An out-of-pocket purchase may be necessary for the everyday work of the department on very rare occasions. In these instances, reimbursement is permitted only in extraordinary circumstances as determined in advance by the Department Head, which may include but are not limited to, emergencies, unforeseen occurrences, when it is impractical to wait for an invoice or when the vendor will not accept later payment pursuant to an invoice.

Commented [MG1]: This may be redundant to DLS policy

Between \$10,000 and \$50,000 — Three quotes, which should be written, dated, and signed, must be solicited in advance. The award goes to a responsive and responsible vendor offering the best price. To ensure that there is no discrepancy in what is told to each vendor from whom quotes are solicited, a purchase description should be written in advance. The information collected must include the purchase description previously written, date of the quote, amount quoted, delivery schedule, comment on any variance between what is sought and offered, and a description of any conditions to the purchase. A written contract is required. It must be signed by the vendor and Town representative authorized to sign contracts. The original of all contracts must be submitted to the Accounting Department. Departments must retain a copy. practicable, efforts shall nonetheless be made to solicit competitive quotations from at least three vendors/firms. In the case of procurement of those goods or services exempt from competitive bidding by statute, to the extent practicable, efforts shall nonetheless be made to solicit competitive quotations from at least three vendors/firms.

Over \$50,000 — Purchases must be competitively bid or solicited through a Request for Proposals (RFP), unless the goods and services are (1) exempt from bidding under MGL c.30B, (2) found on the State Procurement list, or (3) evidence of a sole source is documented. Before initiating a bid or RFP process, the department head with

spending authority must consult with the Town's Chief Procurement Officer (CPO) and Town Coordinator. The Town's CPO will be required to attend courses offered by the Inspector General's Office and become a Massachusetts Certified Public Purchasing Official (MCPPO). The State Office of the Inspector General enforces Chapter 30B and provides guidance on its website at www.mass.gov/ig.

Emergency Purchases

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 the Goods and Services Bulletin.

The procurement of a good or service which is estimated to cost in excess of thresholds requiring competitive bidding pursuant to Massachusetts General Laws may not be split into multiple procurements in order to evade the requirements of such laws.

RECONCILIATIONS

Applies to:	▪ Town Accountant, Treasurer, Collector, and all departments that use special revenue funds or have accounts receivable responsibilities
Scope:	Accounting for all transactions produced by each department and the Town
Date:	[Date]

PURPOSE

To ensure transactions are in balance, mitigate fraud, safeguard general ledger accuracy, and maximize certifications of free cash, financial officers must conduct regular reconciliations of their accounting records, and these must be reconciled to the general ledger.

POLICY

The Treasurer, Collector, and department heads who manage general or special revenue funds will internally reconcile their accounting records and then reconcile them with the Town Accountant according to the guidelines and periodic intervals outlined in this policy.

A. Cashbook Reconciliation

To ensure an accurate accounting of all revenue activity, the Treasurer will maintain a cashbook in Vadar that reflects up-to-date and accurate information for all cash and assets. To do so, the Treasurer will make certain that every cash receipt, disbursement, transfer, and interest accrual is recorded in the cashbook within 2 business days of each transaction. The Treasurer will reconcile cashbook accounts to their corresponding bank accounts weekly and finalize the monthly reconciliation within 5 days of month-end. Bank accounts will include zero-balance vendor and payroll, whose balances must equal the outstanding checks at the end of any month.

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

B. Payroll Withholdings Reconciliation

Payroll withholdings include federal and state taxes, child support and other wage assignments for legal obligations, deferred compensation, optional insurances, association dues, and other employer-sponsored options.

At the conclusion of each pay cycle, the Treasurer will forward a summary report of withholdings subject to vendor invoices (i.e., insurances) to the Town Accountant to be recorded in separate general ledger agency accounts and disbursed through the accounts payable process. To reduce the risk to the Town for liabilities in excess of withholdings, the Town Accountant will conduct monthly

reconciliations of these payroll withholdings to their corresponding accounts payable, identify any discrepancies, and provide the results of these activities to the Treasurer to make any necessary payroll changes or adjustments. The Treasurer will verify and reconcile payments for all other withholdings and deductions that are automatically issued and paid directly through the payroll system via electronic funds transfer or check.

C. Accounts Receivable Reconciliation

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

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

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

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

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

D. Special Revenue Reconciliation

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

E. General Ledger Reconciliation

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

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

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

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

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

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

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

F. Time frames and Documentation

Employees subject to this policy will complete reconciliations of their internal accounting records early each month so that subsequent reconciliations to the general ledger take place no later than the 15th of the month following the one being reconciled. At each quarter-ending month, the Town Accountant will extend the cash reconciliation process to individually reconcile every general ledger

account that directly corresponds to a specific bank account (e.g., stabilization funds, trust funds, guarantee bond deposits).

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

LEYDEN REFERENCES

Policies	• Financial Management Team • Revenue Turnover
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EXTERNAL REFERENCES

DLS Best Practice: [*Reconciling Cash and Receivables*](#)

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

REVENUE TURNOVER

Applies to:	- Treasurer and Town Accountant job duties - All employees assigned responsibility for handling payments
Scope:	Pertains to all cash, check, credit card, and other forms of payment received by all Town departments for taxes, excises, fees, charges, and intergovernmental receipts.
Date:	[Date]

PURPOSE

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

POLICY

The head of each department that receives payments is responsible for instituting and employing internal controls designed to ensure that all receipts are recorded accurately, kept secure from loss or theft, and turned over timely to the Treasurer. All employees who handle the receipt of money must be trained in this policy by a representative of the Accounting and Treasury offices. To indemnify the Town from potential loss or theft, the Town Coordinator will ensure that surety bonds are maintained for all individuals responsible for handling payments. Each department will turn over at least weekly and must do so by the end of the day when receipts total \$200 or more. At month-end, departmental staff will turn over all revenues no later than 11:00 am on the last business day of the month.

A. Receiving Payments

Using prenumbered receipt books, assigned departmental staff must issue the first (original) copy as a receipt for every payment received, even when the payer attempts to refuse it. These departmental staff must identify the forms of payment (check, cash, or credit card) in their receipt books, and if payment is for a permit, the permit number. Checks received by mail will be recorded in the receipt book noted "received by mail". As the exception, the Collector, when receiving taxes and other collections from the public need only issue receipts for cash payments. Every staff person who receives any check will immediately endorse it "For Deposit Only" using a stamp or by handwriting. Every department receiving payments shall secure them in a locked cash box or safe until completing a turnover to the Treasurer.

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

B. Turning Over Revenues

Departmental staff will fill out triplicate Schedules of Departmental Payments (the turnover form) and obtain the department head's signature on each. Every listed receipt should tie back to a receipt book entry and to the receipt summary reports maintained by the department head. Departmental staff will deliver the turnover package in person and at no time may leave any unattended turnovers in the Treasurer's office or elsewhere in Town Hall.

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

When the Treasurer has accepted the turnover, the department employee will receive back two copies of the turnover form signed and dated by the Treasurer. The department employee will retain one turnover copy on file and is responsible for delivering the other to the Town Accountant. The Town Accountant will refuse to accept any turnover that is not signed by the Treasurer.

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

C. Receiving Turnovers

When presented with the turnover, the Treasurer will count the receipts in the presence of the employee doing the turnover. Any inaccuracies on the turnover forms will be corrected on them at that time and initialed by both parties. The Treasurer will then sign the turnover copies and return two of them to the departmental employee.

Within 24 hours of receiving the turnover, the Treasurer will post the receipt data in the Vadar Treasury Receipts module. At the close of business each day, the Treasurer will review the Vadar postings, turnover documents, and receipts, update the cashbook, and create a deposit package. No less than weekly, the revenues will be deposited at the bank. Until the deposit is completed, the Treasurer will ensure that all receipts are always secured, either in a cash drawer or, if being held overnight, in a safe.

Weekly, the Treasurer will forward a Vadar Schedule of Receipts report to the Town Accountant. The Town Accountant will compare the turnovers received directly from departments with the Schedule of Receipts reports received from the Treasurer and contact the Treasurer or appropriate departmental employee about any discrepancies. The Town Accountant will then post the receipt data to the general ledger.

D. Insufficient Funds

Upon notification from the bank of an insufficient check or an invalid or otherwise unpaid electronic funds transfer (EFT), the Treasurer will enter a negative deposit to the original revenue and bank accounts in Vadar and notify the department responsible for the turnover and the Town Accountant.

The Treasurer will notify the issuer in writing of the bounced check or rejected EFT. Payment of the original amount plus a \$25.00 penalty is due in 10 days and must be in the form of cash, money order, or certified check.

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

F. Cash Drawers

On a limited basis, the Town Accountant may authorize funds for a department cash drawer for the exclusive purpose of making change. The department head must complete a Cash Drawer Authorization Form to request this funding. The Town Accountant will maintain records of cash drawer balances in the general ledger as cash accounts.

Use of these cash drawers shall be restricted only to departmental staff whose job duty assignments specify cashier functions. The department head is responsible for ensuring that each cash drawer is counted daily and will immediately investigate and correct any discrepancies. Cash drawers shall be stored in locked cabinets or safes.

E. Reconciliation

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

F. Audit

All cash management activity is subject to review by the Town Accountant and Leyden's independent auditor. Further, the Town Accountant will conduct random, periodic audits of departments revenue turnover procedures and cash drawers to ensure adherence to the policy.

LEYDEN REFERENCES

Policies	• Reconciliations
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EXTERNAL REFERENCES

M.G.L.	
c. 41, § 35	c. 44, § 69
c. 41, § 57	c. 60, § 57A

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

TAILINGS

***This policy is subject to the Select Board's acceptance of [M.G.L. c. 200A, § 9A](#).**

Applies to:	▪ Treasurer, Accountant, and all department heads ▪ Payees of Town disbursements
Scope:	Managing uncashed checks, including notifying payees, handling claims, and escheating unclaimed funds to the general fund
Date:	[Date]

PURPOSE

To minimize the negative impact of uncashed checks on cash position certainty, to provide appropriate opportunities for payees to claim uncashed checks, and to properly recover unclaimed funds for the Town's general fund, this policy sets guidelines for the resolution of tailings.

BACKGROUND

A tailing is a form of unclaimed property that results from a disbursed but uncashed check, and it represents a debit liability on the Town's books. It can arise from any treasury check issued to pay an employee or vendor, refund a municipal tax or charge, or pay any other municipal obligation. Having accepted M.G.L. c. 200A § 9A, the Town can expedite tailing resolutions and escheat to the Town's general fund the funds that remain unclaimed at the completion of the process rather than surrendering the money to the state, as would be required otherwise. This policy sets forth the steps that must be taken to properly manage tailings under § 9A.

POLICY

Periodically throughout the year, the Treasurer, relevant department heads, and Town Accountant will work together to resolve accumulated tailings, either by prompting actual pay outs or through escheatment to the Town.

A. Monthly Review

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

The Treasurer will identify once a month all checks that are uncashed more than one year after issuance and notify the bank to stop payment on them. After this point, the checks may still be claimed by the payees but will require reissuance. The Treasurer will provide a report of the stop-

paid checks to the Town Accountant, who will then record the funds as abandoned property liability in the general ledger.

B. Yearly Review

At least once a year, the Treasurer will review the accumulated inventory of stop-paid tailings and do the following:

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

C. Check Claiming

If a payee submits a claim to the Treasurer within the given deadline, or at any time before the funds are escheated, the Treasurer will review the claim and make a determination as to its validity.

- If the claim is deemed valid, the Treasurer will submit the amount to the Town Accountant for inclusion on the next disbursement warrant.
- If the claim is deemed invalid, the Treasurer will segregate the funds into a separate, interest-bearing account and notify the claimant of this action within 10 days. Within 20 days after receiving this notice, the claimant may file an appeal at Greenfield District Court (or at Franklin County Superior Court if the amount is \$50,000 or more).
- If the court rules for the claimant, the Treasurer will submit the tailing amount, along with any interest, to the Town Accountant for inclusion on the next disbursement warrant after receiving the court order.
- If the court rules against the claimant, or if the Treasurer receives no notice of any court appeal being filed within one year of the Treasurer's notice to the claimant that the funds were being withheld, the Treasurer will notify the Town Accountant to escheat the total tailing and interest amount.

D. Escheatment

Upon receipt of either notice from the Treasurer described in Sections B and C above, the Town Accountant will escheat the listed funds. This involves reversing the abandoned property liability and

recognizing the funds as revenue in the general fund to be available for future appropriation for any public purpose.

E. Audit

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

EXTERNAL REFERENCES

M.G.L.
c. 200A, § 9A

TAX ENFORCEMENT

Applies to:	▪ Treasurer and Collector job duties ▪ Town's contract tax attorney
Scope:	▪ Enforcement of delinquent property taxes ▪ Resolution of tax title accounts
Date:	[Date]

PURPOSE

To provide guidance for equitably enforcing tax obligations and set expectations for both the Town and taxpayers, this policy clearly defines when and how the Town will pursue collection of all outstanding property taxes and secure the Town's financial interest in any properties in tax title.

POLICY

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

A. Demands

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

B. Tax Taking

State law allows the tax taking process to begin as soon as 15 days after the demand, but, in every case, the Collector must complete the takings within 3½ years from the end of the fiscal year for which the taxes were assessed to secure, or perfect, the tax liens. The Collector will work with delinquent taxpayers to delay the tax taking process as long as the taxpayer is making scheduled payments of at least 10% of the outstanding tax.

The Collector will establish an annual tax taking schedule for all delinquent taxpayers who have failed to respond to the demand notices or meet their partial payment requirements. The Collector will send at least one enforcement letter to delinquent property owners as a courtesy to potentially avoid a tax taking advertisement. If this does not result in full remittance by September 1, the Collector will publish a Notice of Tax Taking in a local newspaper and post the notice in two or more convenient, public places. The Collector customarily publishes notices in *The Daily Hampshire Gazette* and posts

them on bulletin boards at Town Hall and the post office and on the Town's website. From this point forward only cash, certified check, or cashier's check are acceptable forms of payment.

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

The Collector shall carefully document the taking process to preserve the Town's rights for future actions.

C. Subsequent Taxes

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

D. Interest, Fees, and License Revocation

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

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

E. Redemption

If a taxpayer or other party pays the full outstanding amount on a tax title property, the tax title attorney will notify the treasurer who will prepare an Instrument of Redemption and file it at the Hampshire Registry of Deeds, which removes the lien. Redemption can only be done prior to the property being foreclosed.

F. Foreclosure

The primary policy goal of the foreclosure process is to receive the outstanding amounts owed. On a quarterly basis, the tax title attorney will review all tax title properties for all unpaid balances that are not subject to bankruptcy recordings and that are older than six months (or older than two years and six months if a statement granting a partial payment extension was issued). From these, the Treasurer will identify all properties of significant value to process for potential foreclosure in Land Court. To do this, the Treasurer will thoroughly verify the properties' enforcement histories before

referring them to the tax title attorney, beginning with those having the largest dollar value of taxes owed.

As manager of the service contract, the Treasurer will ensure the tax title attorney complies with the objectives laid out in this policy section. The Treasurer will work with the tax title attorney to prepare parcels in tax title status for foreclosure, beginning by providing each Instrument of Taking. The tax title attorney will research the tax title properties and mail new collection enforcement letters to the taxpayers telling them of the importance of redeeming the property and warning of potential foreclosure action. If the obligation remains unpaid, the tax title attorney will proceed with foreclosure action by filing a Petition to Foreclose Rights of Redemption in Land Court, possibly resulting in auctioning of the property.

In addition to Land Court foreclosure referrals, the Treasurer 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).

EXTERNAL REFERENCES

M.G.L.
c. 60, § 6; § 16; § 22; § 37; § 40; § 50; § 53; § 54; § 61; § 62; § 62A; § 63; § 76; § 77; § 79; § 80
c. 40, § 57

DLS Best Practice: [Enforcing Collections](#)

DLS Guidance: [Local Tax Collection FAQs](#)

DLS Informational Guideline Releases (annually updated): [Land of Low Value Foreclosure Valuation Limit](#)

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

YEAR-END CLOSING

Applies to:	▪ Town Coordinator, Town Accountant, Treasurer, and Collector job duties ▪ Select Board and Finance Committee in their budget transfer authority ▪ All department heads in managing and reporting on their budgets and assets
Scope:	Tasks necessary to close the fiscal year's books and complete required annual reports
Date:	[Date]

PURPOSE

To ensure local officials have accurate financial data in adequate time to make necessary budgetary decisions, the Town must properly close its books promptly after the fiscal year ends. Failure to adhere to a timely schedule delays the completion of closing entries, trial balances, reconciliations, account analyses, and financial reporting. Furthermore, the completion of these tasks must take place before the Town can submit the combined balance sheet to the Division of Local Services (DLS) for the annual certification of free cash.

POLICY

The Town Coordinator will hold all department heads accountable for timely and accurately completing the year-end tasks applicable to them as outlined in this policy. All facets of the year-end closing will be accomplished no later than September 30.

Annually no later than May 15, the Town Accountant will transmit a year-end instruction memo to department heads and provide them with the following submission deadlines:

- June 1: Status reports or updates on capital projects, capital assets, and borrowings
- June 10: Requests for budget line-item transfers
- June 15: Verification of open purchase orders
- June 30: All available invoices
- June 30: Status reports on grants, special appropriations, and special revenue accounts
- July 10: Invoices related to the fiscal year just ended

Along with the year-end memo, the Town Accountant will distribute year-to-date reports of all grant, special appropriation, and special revenue funds to the responsible department heads.

A. Year-end Encumbrances

With proper documentation, the Town Accountant will encumber funds that have been committed to specific purchases (by purchase orders), services (by service agreements), or projects (by contracts) as of June 30.

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

By May 15, the Town Accountant will distribute management reports of all grant, special appropriation, and special revenue accounts to the responsible department heads to solicit status

updates on them. Each such department head will notify the Town Accountant in writing of any completed project with an unexpended balance so that the account to fund balance (or to a special revenue source, if appropriate) may close. Alternatively, if any completed project's account is in deficit, the department head will notify the Town Accountant in writing, provide funding source(s), and state when it will be resolved so that she can plan for closing the account.

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

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

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

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

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

D. Year-end Transfers

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

E. Closing the Books

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

- Conduct a reconciliation of each fund type in turn (including transfers between funds) and, when completed, close each fund in the general ledger.
- Confirm that all open purchase orders from the prior fiscal year are closed.

- Verify the opening balances of all special revenue funds, grants, and continuing special appropriations.
- Calculate the general fund's unreserved fund balance.

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

Annual submissions to DLS will comply with the time frames listed below.

Town Accountant:

- Snow and ice data sheet September 15
- Balance sheet checklist September 30
- Combined balance sheet and supporting documents September 30
- Schedule A November 30

Town Accountant and Treasurer:

- Statement of indebtedness September 30
- Treasurer's year-end cash report September 30
- Cash reconciliation September 30

Town Accountant, Treasurer, and Collector:

- Schedule of outstanding receivables September 30

EXTERNAL REFERENCES

M.G.L.		
c. 44, § 33B	c. 64, § 64	c. 59, § 5

Leyden policies on Tax Enforcement, Grants Management, and Reconciliations

DLS Informational Guideline Release 17-13: [Appropriation Transfers](#)

DLS [Annual Year-End Letters](#)

DLS [Municipal Calendar](#)

Governmental Accounting Standards Board Statement 1: [Objectives of Financial Reporting](#)

Government Finance Officers Association Guidance: [Timely Financial Reporting](#)

APPENDIX

FINANCIAL PLANNING

Policy	Adopted	Last Reviewed	Amended
Annual Budget Cycle			
Capital Planning			
Debt Management			
Financial Reserves			
Forecasting			
Investments			
OPEB Liability			
Overlay			
Prospective Shared Services			

FINANCIAL OPERATIONS

Policy	Adopted	Last Reviewed	Amended
Antifraud			
Disbursements			
Employee Reimbursement			
Financial Management Team			
Independent Audit			
Procurement Conflict of Interest			
Purchasing			
Reconciliations			
Revenue Turnover			
Tailings			
Tax Enforcement			
Year-End Closing			

BUDGET/CAPITAL CALENDAR

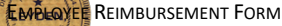
Abbreviations Defined

SB = Select Board
 FinCom = Finance Committee
 SchCom = School Committee

TC = Town Coordinator
 ACCT = Accountant

Month	Due By	Responsibility	Description
November	15-Nov	ACCT	Update capital planning inventory schedules (facilities, fleet, and equipment)
	15-Nov	FinCom	Begin compiling revenue projections
December	1-Dec	SchCom	Pioneer Valley Regional SD meet with member communities to begin preparing annual operating budget
	1-Dec	SB	Update calendar for budget/capital plan deliverables for coming year
	1-Dec	SB	Set reserve and capital expenditure goals for the new year
	15-Dec	Multiple	Budget kickoff meeting (SB to establish guidelines for the coming year)
	15-Dec	FinCom	Prepare budget worksheets and standard forms for new fiscal year
	15-Dec	FinCom	Distribute worksheets and memo outlining instructions and guidelines for coming year
	15-Dec	SB	Distribute memo, worksheets, inventory schedules, and current multiyear plan for capital
	31-Dec	ACCT	Notify stakeholders of certified Free Cash
January	2-Jan	FinCom	Issue initial revenue projections to stakeholders
	2-Jan	FinCom	Distribute calendar of scheduled department head budget appointments
	20-Jan	Depts	Submit budget requests to FinCom
	31-Jan	FinCom	Compile budget submissions
	31-Jan	Depts	Submit capital requests to SB
February	1-Feb	FinCom	Issue updated revenue projections to stakeholders
	15-Feb	TC	Issue consolidated capital package to SB for review
	28-Feb	SB	Request Board of Assessors to declare overlay surplus
March	1-Mar	FinCom	Issue final revenue projections to stakeholders
	1-Mar	SchCom	Regional SD operating budget is prepared and presented to the town
	all month	FinCom	Meet with department heads, boards, and committees to review budget requests
	all month	SB	Meet with department heads, boards, and committees to review capital requests
April	1-Apr	SchCom	Adopt operating budget and issue town assessments
	1-Apr	SB	Finalize capital outlay, narratives for current year, and 5-year plan
	15-Apr	SB	Present multiyear capital plan and current year capital outlay to SB and FinCom
	30-Apr	FinCom	Present draft budget recommendations to SB
May	1-May	SB	Prepare and distribute draft ATM warrant
	10-May	TC	Distribute draft warrant to SB and FinCom for article recommendations and votes
	15-May	FinCom	Vote on warrant article recommendations
	15-May	FinCom	Finalize budget recommendations and send final draft to department heads
	20-May	FinCom	Present final budget recommendations to SB
	23-May	TC	Finalized ATM articles for printing
	25-May	SB	Post ATM warrant and meeting notification
June	1-Jun		Annual Town Meeting

FORMS



Period Covered: _____

DATE	DESCRIPTION ITINERARY OF TRAVEL or PURCHASE ITEMIZE/EXPLAIN FULLY	PRIVATE AUTOMOBILE				OTHER TRANSPORT	HOTEL	MEALS	OTHER EXPENSES	TOTAL
		ODOM ON	ODOM OFF	MILES	AMOUNT				AMOUNT	
				0	0.00	0.00	0.00	0.00	0.00	\$0.00
				0	0.00					\$0.00
				0	0.00					\$0.00
				0	0.00					\$0.00
				0	0.00					\$0.00
				0	0.00					\$0.00
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				0	0.00					\$0.00
				0	0.00					\$0.00
				0	0.00					\$0.00
				0	0.00					\$0.00
				0	0.00					\$0.00
				0	0.00					\$0.00
				0	0.00					\$0.00
				0	0.00					\$0.00
				0	0.00					\$0.00
TOTALS				0	0.00	0.00	0.00	0.00	0.00	\$0.00