



Town of Concord, Massachusetts

Financial Policies

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Concord Financial Policies

1. Annual Budgets

A. *General Fund Budget*

1. It is Town policy that the Town Manager shall direct the preparation of the General Fund budget that takes into account the Finance Committee guideline.
2. It is Town policy that the Town Manager shall submit a budget detailing estimated revenues and expenditures for the ensuing fiscal year to the Select Board at least 90 days before the Annual Town Meeting, per Concord Town Charter, Section 16, Estimate of Expenditures.

B. *Enterprise Budgets*

1. It is Town policy that the Town Manager shall direct the preparation of budgets for the Enterprise Funds and certain Revolving Funds that ensure that these funds operate in a fiscally self-sustaining manner with respect to operating expenses, capital expenses, and long-term liabilities.

2. Revenue Assessment

A. *Full and Fair Cash Value*

1. It is Town policy that the Assessing Division assesses real estate and personal property at its full and fair cash value per M.G.L. 59 § 2A. To accurately assess real estate property values, the Assessing Division inspects all properties on a 5-year cycle or at a pace of approximately 1,200 properties per year.

B. *Calculation of Tax Rate*

1. It is Town policy that the Board of Assessors calculates a tax rate by dividing the total taxable property value as determined on January 1st of a given year, plus the value of any new taxable construction ("New Growth") occurring before June 30th, by the tax levy as appropriated by Town Meeting in the spring of that year.
2. In the Fall, the Board of Assessors shall make a recommendation to the Select Board in a Classification Hearing for the adoption of the following four tax rate-related factors: the residential factor, open space discount, residential exemption, and small commercial exemption.
3. With the adoption of these factors, the Assessing Division shall submit this information to the Bureau of Local Assessment, which certifies the tax rate.

3. Revenue Collection

A. Property Taxes

1. Collection of Property Tax

- a. It is Town policy to issue bills for real estate and personal property taxes on a quarterly basis in order to optimize cash flow. Interest shall be charged at a rate of 14 percent per annum for any unpaid balances after the respective due dates. Demand notices shall be mailed by May 31st on any balances outstanding after May 1st. A demand fee of \$10.00, as well as 14% interest, shall be included on the demand bills in accordance with state statute. If the outstanding balance is less than \$10, the demand fee is not charged.

2. Application of Tax Payments

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

3. Tax Abatements and Exemption

- a. The Town policy is to assure the correct application of taxpayers' abatements and exemptions to their accounts on a timely basis. As approved by the Board of Assessors or directed by the Appellate Tax Board, the Assessing Division grants abatements for real estate and personal property tax. The Board of Assessors may grant exemptions to qualifying veterans, the blind, surviving spouses, elderly and others along with those applying for tax deferrals that meet the statutory requirements as of July 1st.
- b. The Assessing Division enters all abatements and exemptions into the financial service software. As a result of this process, a *Notice and Certificate of Abatement Document* is created, signed by the Board of Assessors, and mailed to the taxpayer and provided to the Treasurer/Collector Division as evidence of the reduction in accounts receivable.

4. Property Tax Refunds

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

5. Refunds on Overpayments Due to Abatements

- a. It is Town policy to assure the accurate calculation and the subsequent distribution of taxpayers' abatements to the proper party on a timely basis.

6. Special Situations

- a. It is the policy of the Town to bill, collect and record in an accurate and timely manner all of the special situations in accordance with Massachusetts General Law.

7. Property Tax Payment Delinquency

- a. It is Town policy is to collect all property taxes owed. Property taxes that are owed and not paid on time shall result in the taxpayer being charged penalties and interest, and may result in a tax taking and ultimately in a foreclosure.

B. Motor Vehicle Excise Tax

1. It is Town policy to optimize the Town's cash flow by mailing each motor vehicle commitment within 15 days of receipt of the *Assessors Warrant to the Treasurer/Collector* for each commitment from the Registry of Motor Vehicles (RMV).
2. The RMV maintains all records on motor vehicles and values. Several times over the course of the year, the RMV provides an electronic record to the Town Assessor, which documents the total value of the specific commitment and contains all of the information for billing to specific motor vehicle owners/accounts.
3. The first major motor vehicle excise (MVX) commitment of each calendar year, which is the largest commitment, will be mailed within 21 days of receipt of the commitment file from the RMV. All subsequent commitments are to be mailed within two weeks of receipt of the file from the RMV.
4. The Town currently has a contract with a Deputy Collector which provides that this vendor is responsible for MVX bill printing and mailing, delinquent payment processing, collection at warrant and reporting. The Town is responsible to assure that the commitment is accurate, for review and approval of abatements; for refunds and the overall monitoring of the process and for the reconciliation of the MVX receivable.
5. Bills are due and payable in full within 30 days of issue. Demand notices will be mailed within 15 days of the due date of the excise bill.
6. A \$10.00 demand fee will be included along with interest on the unpaid balance of the bill. Payments not paid at demand are subject to:
 - o Warrant fee of \$10.00 and notice fee of \$12.00
 - o If not paid, then final warrant fee of \$17.00 and
 - o If not paid, then Registry of Motor Vehicle fee of \$20.00.

4. Other Revenues

A. State Aid

1. It is Town Policy to budget conservatively in anticipation of the receipt of State Aid. Under M.G.L. 58 § 25A, the Commissioner of Revenue is required to provide an estimate of local aid to municipalities. Likewise, under M.G.L. 59 § 21, the Commissioner of Revenue is required to provide the Town with advance estimates of state assessments and charges and the Assessing Division is required to use these figures in determining the local property tax rate.

B. State and Federal Grants

1. It is Town policy that, with the approval of the Town Manager, Departments may apply for Federal and State grants to support Town initiatives or projects. All grant contracts must be approved and signed by the Town Manager. A copy of the grant documents must be provided to the Accounting Division. Departments shall comply with all of the requirements presented in the grant.
2. The source of the grant funding determines whether a grant is a state or federal grant.
3. It is Town policy that all procurement associated with State and Federal grants comply with State and Local laws and regulations.

5. Operating Expenditures

A. *Accounts Payables*

1. It is Town policy that the Accounting Division shall assure the timely payment of all original invoices and vouchers submitted and approved by authorized Town employees. In order to accomplish this, vendors are paid weekly.
2. It is Town policy that vendor invoices are only paid after verification of available funds for said purpose and upon evidence of compliance with procurement requirements established by State law, Town Bylaws and Administrative Policies and Procedures.

B. *Payroll*

1. It is Town policy that Town and Concord Public School employees shall be accurately compensated in a timely fashion for their work.

6. Cash Management

A. *Departmental Receipts*

1. It is Town policy that the Town Treasurer shall have the fiduciary duty for the collection, management, and disbursement of cash.
2. It is Town policy that the department that collects cash, checks and credit card payments for services performed be responsible for safeguarding the collection and remittance of receipts until this money is turned over to the Treasurer/Collector Division. All cash received shall be turned over to the Treasurer/Collector Division; and no money shall be retained for petty cash or for making change.
3. It is Town policy that the department shall turn over these receipts to the Treasurer/Collector Division at least weekly or when total receipts are greater than \$2,000 and/or cash is greater than \$100. Exceptions to this turnover policy can be made by the Town Treasurer. The department shall separately send a copy of the turnover sheet to the Accounting Division.
4. Upon receipt of a departmental turnover, the Treasurer/Collector Division shall verify the amounts of the turnover. Within a period of one business day, the Treasurer/Collector Division shall post the receipt and deposit the collected money into a Town bank account. The Accounting Division will then post the receipts to the General Ledger.

B. *Cash Disbursements*

1. It is Town policy that warrants shall be processed on a weekly basis and payroll payments shall be processed on a bi-weekly basis. Warrants shall be duly signed and approved by the Town Accountant and the Select Board. The Treasurer/Collector or her designee shall be responsible for the disbursement and mailing of all vendor checks and shall assure that all Town checks are delivered only to the designated vendor.

C. *Emergency Disbursements (Special Warrants)*

1. It is Town policy that only in extenuating circumstances will the Treasurer/Collector Division be allowed to issue a disbursement outside of the normal weekly warrant process. Following the issuance of a check by the Town Accountant, the Town Manger must approve the release of funds in advance of Select Board approval.

D. Petty Cash Administration

1. It is Town policy that Petty Cash accounts shall be authorized by the Treasurer for departments that need a small amount of cash to make payments required at the time of service or to manage cash change transactions. Petty cash can only be replenished by submittal of all documentation and receipts through the warrant process for review by the Accounting Division.

E. Tailings (Uncashed Checks)

1. It is Town policy to identify and research all Uncashed Checks (Tailings) as a part of the timely reconciliation of all bank accounts. If after 60 days from the date of issuance of a check and the check has not been cashed, either a letter shall be sent to the known address for the check recipient or a notice shall be posted on the Town website. If there is no response within 60 days, for checks that are \$100 or more and are not cashed, a notice shall be advertised in a local newspaper. After one year of the newspaper notice, funds from these unclaimed checks may be credited to the Town's General Fund.

F. Reconciliation of Cash

1. It is Town policy that the Treasurer/Collector Division and the Accounting Division reconcile all cash accounts as recorded in the Treasurer's Cashbook and as recorded on the General Ledger on a monthly basis. The Treasurer/Collector Division and the Accounting Division shall provide monthly reports documenting the reconciliation to the Finance Director.

7. Reserves

A. General Fund

1. It is Town policy to maintain Free Cash, the General Fund's unassigned fund balance as certified by the Massachusetts Department of Revenue (DOR), at a level between 5% and 10% of the ensuing General Fund Budget with the following stipulations:
 - a. Free Cash shall be used only to the extent that it can be replenished within a one-year period.
 - b. Free Cash can be used to provide relief to Town taxpayers by allocating a portion of Free Cash that is not more than 1% of the ensuing General Fund Budget to reduce the tax levy, if that allocation is expected to be replenished in the ensuing year.
 - c. If Free Cash falls below 5% of the ensuing General Fund Budget, Town Manager and the Finance Director shall develop a plan to bring Free Cash back up to the 5% level.
 - d. If Free Cash rises above 10% of the ensuing General Fund Budget, the Town Manager shall consider recommending using the excess Free Cash in the following ways:
 - i. Appropriate a portion of the excess Free Cash for a special non-recurring expenditure that would include a capital item that would otherwise be eligible to be funded through borrowing, and
 - ii. Appropriate a portion of the excess Free Cash to a General Fund Stabilization Fund.

B. Enterprise and Revolving Funds

1. It is Town policy to maintain unrestricted fund balance for its enterprise and revolving funds at a minimum level that would provide adequate resources to sustain operations through unexpected and unfavorable financial events. These financial events could result in an unexpected expenditure outlay or revenue loss.
2. For the enterprise funds, unrestricted fund balance is categorized into two groups: depreciation funds and undesignated funds. The purpose of depreciation funds should be to allocate resources for the maintenance of capital assets. By setting aside annual depreciation expense using a half-year, straight-line convention, depreciation funds monetarily recognize the gradual wear of capital assets.
3. Undesignated funds are the additional funds need to sustain operations through unexpected and unfavorable financial events. Insurance policies (Refer to the Risk Mitigation section) cover the Town for events related to property damage and liability claims. Since enterprise funds rely on fees for services to fund operations, loss of expected revenue from the customer base may have an impact on the enterprise. Since some enterprises (Light Fund, Water Fund, and Sewer Fund) have a stable customer base, there is not the need for a large minimum undesignated fund balance. Other enterprises (Beede Fund) are dependent on a market-driven customer base, and there is the need for a larger minimum undesignated fund balance to sustain operations if market conditions change.
4. According, it is Town policy to maintain a minimum undesignated fund balance for the enterprise funds as follows:
 - a. Light Fund: Two months of annual operating revenue,
 - b. Water Fund: Two months of annual operating revenue,
 - c. Sewer Fund: Two months of annual operating revenue, and
 - d. Beede Fund: Six months of annual operating revenue.
5. For the two revolving funds (Solid Waste Revolving Fund and Recreation Revolving Fund), which do have a market-driven customer base but have flexibility in adjusting operations more rapidly because they do not have capital assets to maintain, it should be the Town's policy to maintain a minimum fund balance as follows:
 - a. Solid Waste Revolving Fund: Two months of annual operating revenue, and
 - b. Recreation Revolving Fund: Two months of annual operating revenue.
6. If an undesignated fund balance for an enterprise or revolving fund falls below these minimum levels, the Town Management should develop a plan to bring the respective fund balance up to the minimum levels.
7. It should be noted that these defined levels of fund balance are minimums and a greater amount is permitted in order for the enterprise or revolving fund to accumulate resources for an anticipated future event.

C. Stabilization Funds

1. It is Town policy that stabilization funds can be created to set aside funds to be used for a specific purpose at some later date.

D. Encumbrances

1. It is Town policy that a Department Head may request at the end of the fiscal year that the Town Manager set aside available funds from the department's General Fund appropriated account to be used for a specific purpose at some later date. Encumbered funds shall not be used for operating expenses in future years. Once these encumbered funds are approved and established, the Department Head may use these funds for the stated purpose in subsequent fiscal years.

E. Reserve Fund

1. It is Town policy that the Town Manager, with the certification as to fund balance by the Town Accountant, can make a request to the Finance Committee for a transfer from the General Fund Reserve Fund to another appropriated account in the event that the account incurs an expenditure which is extraordinary or unforeseen, per M.G.L. 40 § 6. The Finance Committee shall have the sole authority to approve such a transfer.

8. Investments

A. Investments of Treasury Funds

1. It is Town policy that the Town Treasurer may invest Treasury Funds as follows:
 - a. Massachusetts State Pooled Fund (in unlimited amounts and the pool is liquid) – The Massachusetts Municipal Depository Trust (MMDT), an investment pool for state, local, county and other independent governmental authorities, is under the direction of State Treasurer.
 - b. Commercial Bank Deposits or Certificates of Deposit, which are fully collateralized through a third party agreement (in unlimited amounts for up to three-year maturity).
 - c. Massachusetts list of Legal Investments, per M.G.L. 167 § 15A as updated each July 1st.
 - d. Other financial instruments as defined in M.G.L. 44 § 55.

B. Investments of Trust Funds

1. It is Town policy that the Town Treasurer may invest Trustee Funds as specified in the investment policy established by the Trustees of Town Donations, the entity that has fiduciary duty over these funds.

C. Diversification

1. Diversification shall be interpreted in two ways: in terms of maturity, as well as instrument type and issuer. The diversification concept shall include prohibition against over-concentration of maturities as well as concentration in a specific institution.
2. It is Town policy that with the exception of U.S. Treasury obligations or investments fully collateralized by U.S. Treasuries or agencies and state pools (e.g., MMDT), no more than 10 percent of the Town's investments shall be invested in a single financial institution.

D. Ethics

1. It is Town policy that the Town Treasurer (and other Finance Department staff) shall refrain from any personal activity that may conflict with the proper execution of the investment program or which could impair or appear to impair ability to make impartial investment decisions. Said individuals shall disclose to the Town Manager any material financial interest in financial institutions that do business with the town. They shall also disclose any large personal financial investment positions or loans that could be related to the performance of the Town's investments.
2. It is Town policy that the Town Treasurer shall not make a deposit in any bank, trust company or banking company that he/she is associated with as an officer or employee, or has been associated with as an officer or employee for any time during the three years immediately preceding the date of any such deposit.

E. Relationship with Financial Institutions

1. It is Town policy that financial institutions shall be selected first and foremost with regard to the safety of the Town assets.
2. It is Town policy that the Town shall only select brokers who are recognized, reputable dealers. The Town Treasurer shall require any brokerage houses and broker/dealers wishing to do business with the municipality to supply the following information to the treasurer:
 - a. Audited financial statements,
 - b. Proof of National Association of Security Dealers certification,
 - c. A statement that the dealer has read the municipality's investment policy and will comply with it, and
 - d. Proof of credit worthiness (minimum standards of at least five years in operation and a minimum capital of \$10 million).

9. Capital Expenditures

A. Capital Assets

1. It is Town policy that capital items are defined as assets such as structures, land, and equipment (including related plans, designs, and studies), which have a life expectancy of at least 2 years and a cost of at least \$10,000.
2. It is Town policy that in compliance with GASB #34, capital assets (other than land) are depreciable and should follow straight-line depreciation schedules in accordance with the Massachusetts Department of Revenue's useful life schedules.

B. Capital Funding Target Level (General Fund – within the levy limit)

1. It is Town policy that a target of 7% to 8% of the total budget net of the excluded debt levy be allocated for capital financing. Of the 7% to 8%, no more than 5% shall be for debt service within the levy limit. Capital Outlay from the Town Departments and the Concord Public Schools shall be at least 2% to 3% of the annual budget (not including excluded debt).

C. *Five-Year Capital Improvement Program (CIP)*

1. It is Town policy that the Town shall maintain and annually update a 5-year Capital Improvement Program to identify current and future capital needs. The CIP shall allocate resources to fund new needed capital projects and fund the repair and replacement of existing capital assets in effort to maintain the Town's physical infrastructure and avoid deferring maintenance for future years.

10. Debt

A. *Debt Structure*

1. It is Town policy that capital items that can be funded through borrowing include infrastructure, facilities, vehicles, equipment, and land, which have (1) an estimated cost of \$100,000 or more and (2) a useful life of at least 5 years.
2. It is Town policy that all borrowing whether tax-supported by the General Fund or revenue-supported by the Enterprise Funds shall be issued as General Obligation (GO) bonds, having the Town's pledge of full faith and credit for repayment.
3. It is Town policy that tax-supported borrowing can be used for the sustainability, improvement, or expansion of the Town's significant capital assets with debt service is paid for by the General Fund.
4. It is Town policy that the maximum level of indebtedness shall not exceed 5% of the equalized valuation of the Town per M.G.L. 44 § 10.
5. It is Town policy that the Town shall develop a 5-year debt capacity analysis inclusive of CPS, with estimated project costs updated annually.
6. It is Town policy that for tax-supported borrowing within the levy limit, the Town's goal is to structure the Town's debt in the following way:
 - a. The repayment schedule is at an accelerated pace in which of 60% of the principal is repaid within 5 years and 90% is repaid within 10 years. This goal reduces the cost of interest expense and frees up debt capacity for future borrowing.
 - b. The annual amount of debt services is approximately 5% of the annual General Fund expenditures net of excluded debt service. The purpose of this goal is to allocate sufficient funds for the Town's capital needs and prevent operating needs from "crowding out" the proper investment in capital.
7. It is Town policy that revenue-supported borrowing shall be reserved for capital assets associated with expansion of service. Debt service is paid through user fees and rates earned by the specific Enterprise Fund.
8. It is Town policy that excluded debt shall be used for capital items that cannot be funded through the debt plan within the levy (e.g., new schools construction, facility expansion, land acquisition, etc.). For all excluded debt proposals, the impact on property tax shall be calculated prior to the presentation at Town Meeting.
9. It is Town policy that the retirement structure of a specific bond shall not be greater than the useful life of the underlying capital assets.
10. It is Town policy that borrowing shall not be used for operating expenses or to fund other long-term liabilities such as pension or other post-employment benefit obligations.

B. Debt Authorization

1. It is Town policy that the Town shall publish a notice of the Town Meeting warrant article for a borrowing at least 7 days prior to an Annual Town Meeting and at least 14 days prior to a Special Town Meeting, per M.G.L. 44 § 10.
2. It is Town policy that all borrowing authorizations require a two-thirds majority vote by Town Meeting per M.G.L. 44 § 7. For borrowing authorizations outside the levy limit, Town Meeting must approve the borrowing by a two-thirds majority and the Town must approve it by a majority vote in a community-wide referendum per M.G.L. 44 § 8.

C. Debt Issuance

1. It is Town policy that the Town should retain a financial advisor and bond counsel for financial and legal guidance for debt issuance. Prior to the issuance of a bond, the Town shall provide an Official Statement containing legally required disclosure information pertaining to the financial and economic position of the Town (17 CFR § 240.15c2-12).
2. It is Town policy that with the guidance of Bond Counsel, the Town shall award the winning bond bid to the bidder with the lowest True Interest Cost (TIC).
3. It is Town policy that the Town shall spend the bond proceeds in a timely manner to avoid IRS arbitrage penalties. The Finance Department as well as the particular departments shall monitor the use of bond proceeds to ensure compliance with arbitrage regulations.

11. Other Liabilities

A. Pension

1. It is Town policy to allocate resources to fully fund the Town's portion of the Concord Contributory Retirement System by 2030. In order to do so, the Town shall contribute to the pension fund its share of the Annual Required Contribution (ARC) payment as determined by a biennial actuarial valuation report, certified by the Public Employee Retirement Administration Commission (PERAC), and reviewed by Contributory Retirement Board. This contribution may consist of (1) a General Fund appropriation increasing at a 3% annual growth rate, (2) the use the Town Pension Reserve Fund to supplement the required General Fund allocation as necessary, and (3) the full funding of the ARC associated with the Town's enterprise operations.
2. It is Town policy that management and investment of the pension fund are the responsibility of the Concord Contributory Retirement Board.

B. OPEB

1. It is Town policy to allocate resources to fully fund the Town's portion of Other Post-Employment Benefits (OPEB) by 2039. In order to do so, the Town shall contribute to the OPEB Trust Fund its share of the Net OPEB Obligation (NOO) as determined by an actuarial valuation report. This contribution may consist of (1) a General Fund appropriation increasing by \$250,000 annually until the General Fund's portion of the NOO is fully funded, and (2) the full funding of the NOO associated with the Town's enterprise operations.
2. Funds invested and reinvested in the OPEB Trust Fund by the Town Treasurer shall be consistent with the prudent investor rule established under M.G.L. 203C.

12. Accounting and Financial Reporting

A. Financial Reporting

1. It is Town policy that the Town's accounting practices shall conform to Generally Accepted Accounting Principles (GAAP) as set forth by the Government Accounting Standards Board (GASB), the Uniform Municipal Accounting System (UMAS), and the Massachusetts Department of Revenue (DOR) Informational Guideline Releases.
2. It is Town policy that a certified public accounting firm shall conduct an independent annual audit of the Town financial records. There are four types of opinions provided by the auditor of the independent annual audit: Unqualified Opinion (Clean Opinion), Qualified Opinion, Adverse Opinion, and Disclaimer of Opinion. It is Town policy that Town government shall maintain its financial records so that the auditor can render a Clean Opinion, the opinion in which the Town financial records have been maintained in accordance to GAAP. An opinion rendered by an auditor that is not a clean opinion shall be reviewed by the Finance Department and corrections shall be made in the next fiscal year.
3. It is Town policy that the Finance Department shall take steps to address Management Letter items (e.g., items that the independent auditor sees deficiencies) during the subsequent fiscal year.
4. It is Town policy that a completed audit by the Town shall be submitted to the Division of Local Services, per State law.
5. It is Town policy that whenever the total annual federal grants to the Town and CPS total more than the level that triggers a single audit, the Town is required to comply with the Single Audit Act for Audits of States, Local Governments, and Non-Profit Organizations.
6. It is Town policy to have a Financial Audit Advisory Committee (FAAC) to assist the Select Board, Town and Concord Public School financial management officials in the organization, implementation and review of the annual examination of financial reporting and control procedures and in the continuous review and improvement of fiscal accountability matters.

B. Reconciling Accounts

1. It is Town policy that the Treasurer/Collector Division and the Accounting Division shall reconcile all cash accounts as recorded in the Treasurer's Cashbook and as recorded on the General Ledger on a monthly basis. The Treasurer/Collector Division and the Accounting Division shall provide monthly reports documenting the reconciliation to the Finance Director.
2. It is Town policy that the Treasurer Collector Division shall reconcile all receivable accounts on a monthly basis. The reconciliation shall show each receivable account by levy year for property and excise taxes and total balances for betterment, tax title, and lien accounts. A separate report shall be provided for any other receivables. Deferred revenue accounts for all funds shall be reconciled to the receivable accounts on a monthly basis.
3. It is Town policy that the Accounting Division shall reconcile the General Ledger accounts as follows:
 - a. Payable and payroll withholding accounts shall be checked periodically and not less than semiannually to determine that the balances are properly clearing.
 - b. Budgeted expenditure accounts shall be reviewed monthly to identify any unusual activity or predict potential budget shortages.

- c. Revenue and expenditure accounts shall be reconciled to the control accounts. This is performed automatically by the financial system but should be periodically checked to assure that there are no system errors.
- d. All funds should be checked to be sure they are in balance.
- e. Interfund transfers and receivable/payable accounts shall be reconciled where applicable.
- f. Appropriation balances shall be reconciled to the tax recap and Town meeting votes.
- g. All accounts shall be reviewed analytically from time to time for reasonableness and to identify unusual activity.

C. *Monitoring Accounts*

1. It is Town policy that all expenditure budgets be reviewed on a monthly basis by department heads. The official record of expenditures is the Town's General Ledger as maintained by the Accounting Division and department heads or authorized employees must submit documentation to support any journal entry if an expenditure account on the General Ledger needs adjustment.
2. It is Town policy that all revenue transactions be reviewed on a monthly basis by department heads. The official record of revenues is the Town's General Ledger as maintained by the Accounting Division, and department heads or authorized employees must submit documentation to support any journal entry if a revenue account on the General Ledger needs adjustment.

D. *Year-End Closing*

1. It is Town policy that the Accounting Division shall complete the year-end closing process once the auditors have finished their field work and have given the Town approval to generate year-end financial statements and to submit documentation for Free Cash certification.

E. *Regulatory Reporting*

1. *Free Cash Certification (Balance Sheet)*: It is Town Policy to file appropriate documentation with Massachusetts Department of Revenue's (DOR) Bureaus of Account for the certification of Free Cash after the close of each fiscal year. Certified Free Cash is available for appropriation at the subsequent Town Meeting. Please refer to *Section 7. Reserve Funds* for the Free Cash Policy.
2. *Schedule A*: It is Town policy that the Accounting Division files *Schedule A*, the year-end statement of revenues and other financing sources, expenditures and other financing uses, changes in fund balances, certain balance sheet and other information with the DOR, by annual deadline of November 30th.
3. *Tax Recapitulation Sheet*: It is Town policy that the Finance Administration Division, Assessing Division and Accounting Division work collectively to complete the Department of Revenue's *Tax Rate Recapitulation* form, a four-page form that assembles all information necessary to calculate tax rates for the municipality, by the end of November. Once the tax rate has been approved by DOR, the Accounting Division shall record a journal entry for the final overlay account (allowance for abatements and exemptions).

4. *CPA Reporting:* It is Town policy that the Town completes and submits to the DOR three Community Preservation Act (CPA) reports annually: the CP-1 Form (Community Preservation Act Surcharge Report), the CP-2 Form (The Community Preservation Fund Report), and the CP-3 Database (The Online Community Preservation Projects Report).
5. *Cash and Receivable Reconciliation:* It is Town policy that the Accounting Division and the Treasurer/Collector Division submit an end-of year cash and receivable reconciliation to DOR.
6. *Snow and Ice Reporting:* It is Town policy that the Accounting Division submits a snow and ice report signed by the Town Manager and the Finance Committee to the DOR by deadline of September 30th. This report is a statement of snow and ice expenditures and financing sources for the previous winter.
7. *1099 Reporting:* It is Town policy that the Accounting Division shall issue *1099 Forms* by January 31st. The Accounting Division shall submit a 1099 file to both the IRS and the State. A 1099-MISC is issued for each person the Town has paid at least \$600 for rents, services, prizes and awards, or other income payments during the calendar year. A 1099-INT is issued for each person to whom the Town has paid \$10 or more of interest during (from tax abatement refunds, 53-G refunds, etc.) for the calendar year.
8. *Annual Provider Information Form:* It is Town policy that the Accounting Division is responsible for generating this report and submitting this report to the State by August 1st. Massachusetts General Laws Chapter 62C § 47A requires that cities and towns report certain information on vendors. The Town is required to list all persons who furnished goods, services, or real estate space for \$5,000 or more during the preceding fiscal year under contracts or agreements. The listing shall contain the name, address, and social security or federal identification number. The Department of Revenue further requires that the Town submit the Tax ID number of all providers of goods and services to the Town.
9. *Fixed Asset Reporting:* It is Town policy that the Accounting Division is responsible for fixed asset reporting. A capital asset is defined as having a value of \$10,000 or more and useful life is 2 years or more. GASB 34 requires the Town to account for capitalized infrastructure associated with Government Activities.

13. Risk Mitigation

A. Financial Risk

1. It is Town Policy that the Town will contract with an independent auditing firm to examine the Town's financial statements, render an opinion, and provide a management letter. The Financial Audit Advisory Committee has the charge for reviewing the audited financial statements and management letter.

B. Property Risk

1. It is Town policy that that the Town shall contract for sufficient insurance coverage to protect Town property in the case of an unforeseen catastrophe or damage to Town property. Property Risk mitigation is the responsibility of the Town Manager's Office and policies and procedures for property risk mitigation are established by that department.

C. Information Risk

1. It is Town policy that the Town shall provide safeguards against cyber threats. Information risk mitigation is the responsibility of the Information Technology Department and policies and procedures for information risk mitigation are established by that department.

D. Professional Liability Risk

1. It is Town policy that the Town shall contract for sufficient professional liability insurance coverage to protect Town officials and members of Town boards and committees for decisions made during official duty.

14. Procurement

A. Procurement

1. It is Town policy that the purchase of goods, services, and construction activities are obtained at the best value. Best value is defined as the lowest price for purchases that have similar quality and a combination of lowest price and highest quality for other purchases. This policy is implemented through compliance with State procurement statutes and Town regulations that promote competition in the award of contracts: competition is ensured by requiring that the Town conduct a sealed bid or proposal process for items over a certain dollar threshold and by allowing the Town to participate in federal, state and regional competitively-bid purchasing agreements.

B. Chief Procurement Officer and Delegation of Authority

1. As set forth in Section 9F of the Town Charter, the Town Manager shall be responsible for the procurement of all supplies, materials and equipment and for the award of all contracts. Town Manager shall be appointed as the Chief Procurement Officer of the Town. Most of these duties and powers shall be delegated to the Finance Director and the School Finance Officer as allowed by M.G.L. 30B § 19 and specified in APP #36. The Town Manager shall alone retain the sole authority to award and execute contracts.

C. Purchase Orders

1. It is Town policy that purchase orders shall be used for all purchases of \$1,000 or more, unless otherwise exempted.

D. Authorization

1. *Purchase Orders between \$1,000 and \$4,999:* These purchases must follow the applicable State statutes and Town regulations and be approved by the appropriate Division Manager, Department Head, and Budget & Purchasing Director.
2. *Purchase Orders between \$5,000 and \$34,999:* These purchases must follow the applicable State statutes and Town regulations and be approved by the appropriate Division Manager, Department Head, Budget & Purchasing Director and Finance Director.
3. *Purchase Orders of \$35,000 or more:* These purchases must follow the applicable State statutes and Town regulations and be approved by the appropriate Division Manager, Department Head, Budget & Purchasing Director, Finance Director and Town Manager.

E. Statutory and Regulatory Compliance

1. *Goods & Services:* For the procurement of goods and services, the Town shall follow the Uniform Procurement Act, M.G.L. 30B.
2. *Building Design:* For building design, the Town shall follow the Designer Selection Law, M.G.L. Chapter 7 §§ 38 A½ - O.
3. *Building Construction and Repair:* For building construction and repair, the Town shall follow M.G.L. 149 §§ 44 A-M.
4. *Public Works Construction:* For roads, bridges, water and sewer systems, and other public works construction, the Town shall follow M.G.L. 30 § 39M.