

# **FINANCIAL POLICY AND PROCEDURE MANUAL**

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## **TOWN OF WESTMINSTER, MASSACHUSETTS**

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

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## INTRODUCTION

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

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

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

### **Financial Policy Review Process**

**Background:**

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

**Policy:**

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

**A. GENERAL BUDGET POLICIES****A-1 Balanced Budget****Background:**

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

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

**Policy:**

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

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

**References:**

M.G.L. c.44, §31

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

**A-2 Revenue and Expenditure Forecast****Background:**

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

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

A forecast will provide decision-makers with an indication of the long-term fiscal impact of current policies and budget decisions, and will allow staff, the Advisory Board, and the Select Board to test various “what-if” scenarios and examine the fiscal impact on future budgets.

**Policy:**

Each year the Town’s finance team shall prepare and maintain a five-year Financial Forecast for general fund and enterprise funds operations based on current service levels and current funding sources and including the five-year Capital Improvement Plan. The forecast shall include 3 to 5 years of historic data for trend analysis purposes.

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

**References:**

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

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

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

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

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

**Policy:**

On or before September 15, the Town Administrator will request that Department Heads begin to develop requests for capital improvements. Capital project proposals, complete with descriptions, cost, source of funding and timetable for completion, shall be submitted to the Town Administrator on or before October 15. The Town Administrator shall develop a capital budget recommendation and submit it to the Select Board, Advisory Board, and Capital Planning Committee for review on or before November 15.

Each year the Town Administrator and the Town’s finance team shall prepare and maintain an annual Five-Year Financial Forecast for General Fund, Enterprise Funds, and Capital Improvement Plan based upon current service levels and current funding sources. The forecast shall include estimates of

proposed capital projects supported by debt service. The forecast should show the impact on the Financial Plan if the debt were either excluded or not excluded from the annual levy. The forecast shall be presented to the policy making boards and committees (Select Board, Advisory Board, and Capital Planning Committee), no later than the first week in January. The Town Administrator shall continue to update the initial forecast throughout the remainder of the budget preparation and submission process and advise the policymaking committees of any significant changes from the initial forecast.

On or before the first week in January, the Select Board, after consultation with the Town Administrator, shall jointly issue budget guidelines relating to the budget for the next fiscal year. The guidelines shall establish the outer limits of possible budget growth for the Town to be used by various town departments, officers, boards and committees in the preparation of the operating budgets for the ensuing year. The Town Administrator shall send the budget guidelines statement to every town department, officer, board and committee charged with the expenditure of Town funds.

The Town Administrator shall request each town department and agency to begin developing budget requests for the coming fiscal year, no later than the first week in January.

All departments, including those that are elected or appointed by other committees (Planning, Library, Parks and Recreation, Assessing, Cemetery and Health), shall submit the annual budget requests to the Town Administrator no later than January 21 of each year. All requests shall be structured to follow the budget guidelines developed by the Select Board.

The Town Administrator will coordinate, review, prepare, and submit a balanced annual budget proposal to the Select Board and the Advisory Board no later than February 21 of each year. The Town Administrator's budget proposal shall include all activities of the government (General Fund, Special Revenue Funds, Enterprise Funds, Capital Budget, and Budgets administered by other elected or appointed Town Committee's). The Town Administrator's proposed budget shall include all estimated revenues, including general and enterprise funds, all estimated expenditures and supporting documents. The Town Administrator shall provide written documentation of budget assumptions and shall include a five-year history of Free Cash certification and stabilization fund balance. The Town Administrator shall also indicate any major differences from the current fiscal year in revenues and expenditures, together with reasons for such changes and include such other material as the Select Board deem necessary.

On or before February 15, the Capital Planning Committee shall submit its recommendations on the Town Administrator's Long- Range Capital Plan to the Select Board and Advisory Board.

The Select Board and the Advisory Board shall separately review both operating and capital budgets and formally approve a final proposal of the Annual Budget to the Town Meeting, on or before April 30 of each year.

The Select Board and Advisory Board will make every effort to reconcile any differences that may exist between their recommendations prior to the annual Town Meeting. The Advisory Board shall present its recommended Annual Budget to the Town Meeting. The Advisory Board budget proposal shall provide a complete financial plan of all general and enterprise funds and activities for the ensuing fiscal year, an accompanying budget message, and supporting documents. The budget message from the Advisory Board shall explain the proposed budget for all Town agencies in fiscal terms and in terms of work programs. It shall outline the proposed financial policies for the Town for the ensuing fiscal

year, describe the important features of the budget, indicate any major differences from the current fiscal year in financial policies, expenditures, and revenues, together with the reason(s) for such changes, summarize the Town's debt position, and include such other material as the Advisory Board deems desirable or the Town Meeting may reasonably require.

In the event that the Select Board or Capital Planning Committee have a different budget proposal, they may make a "motion to amend" the Advisory Board's warrant article at Town Meeting. The Town Meeting shall review all budget proposals and amendments and adopt balanced budgets in which current revenues (non-one-time) equal or exceed current expenditures. Expenditures shall be realistically-budgeted and estimated revenues shall be conservatively-budgeted to allow for unanticipated events.

The Town Administrator, with support from the Select Board, shall work toward the implementation of a budget document that meets the high standards of the Government Finance Officers Association "Distinguished Budget Presentation Award Program."

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

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

**Exclusiveness** – The budget should deal with only financial matters and not with substantive legislation;

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

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

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

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

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

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

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

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



**Background:**

The largest segment of a town's budget is its personnel costs. Failure to accurately monitor the approved personnel budget can lead to errors in budgeting, over or under staffing, incorrect grading, and other personnel costs.

**Policy:**

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

**A-5 Personnel Policies and Labor Contracts****Background:**

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

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

**Policy:**

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

## **B. ENTERPRISE FUND POLICIES**

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

#### **Background:**

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

#### **Policy:**

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

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

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

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

#### **References:**

MGL, Chap 44, Sec 53F1/2

Enterprise Funds, MA DOR Division of Local Services Best Practice

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

### **Policy:**

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

## **C. RESERVE FUNDS/FUND BALANCE POLICIES**

### **Background:**

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

### **C-1 Stabilization Funds**

#### **Background:**

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

Under State law, a municipality may establish one or more stabilization funds for different purposes and may appropriate into them in any year an amount not to exceed 10% of the prior year's tax levy. Generally, a majority vote of Town Meeting is required to establish, amend the purpose of, or appropriate money into a stabilization fund, and a two-thirds majority is required to appropriate money from a stabilization fund. Any interest generated by a fund must be added to and become a part of the fund. The total of all stabilization fund balances shall not exceed 10% of a municipality's equalized values.

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

The Town's primary vehicle for reserve funds will be the general stabilization account. A majority vote by Town Meeting is required to appropriate funds into any stabilization fund. The Town of Westminster is committed to responsible stewardship of its financial resources. A key component of the Town's financial position is its General Stabilization Fund. A General Stabilization Fund is a mechanism for setting aside money, either for emergency and unforeseen situations according to the Massachusetts Division of Local Services. Such a fund is intended to equalize the effect of fluctuations in elastic revenues over time and to provide a "rainy day" fund.

**Policy:**

The Town shall maintain a General Stabilization Fund of not less than 10% of the prior year's operating budget for the purpose of extraordinary or unforeseen expenditures. The Town will endeavor to leave this balance unspent, except in the event of an emergency or extraordinary or unforeseen events. If it is necessary to draw down from the General Stabilization Fund, the Town will ensure that it is restored through the appropriation of revenues such as Free Cash and/or one-time revenues. Withdrawals from the General Stabilization Fund for operating expenses will not occur except under one or more of the following circumstances:

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

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

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

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

The Town shall maintain multiple special purpose Stabilization Funds that shall serve as a funding source for the Town's capital improvement plan. It is the goal of the Town to have all "pay-as-you-go" capital appropriations, with the exception of capital funded through grants, to be funded from the Stabilization Accounts. Upon meeting the Town's Funding policies for undesignated fund balance and the General Stabilization Fund, the remaining Certified Free Cash may be appropriated into the Stabilization Funds.

**Policy:**

The Stabilization Funds shall be used for the purpose of General Fund "pay-as-you-go" capital appropriations. The Town will strive to maintain a minimum stabilization fund balance of \$500,000.

**References:**

M.G.L. c. 40 §5B

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

**C-1f-Pension Stabilization Fund:**

The Town will strive to maintain a Pension Stabilization Fund for the purpose of mitigating cost increases beyond what is authorized in the annual general fund budget. Sufficient funding should be added to the fund balance so that the total balance within the fund phases down and is eliminated in the fiscal year that the Regional Retirement System reaches full funding of the pension liability;

## **C-2 General Reserve Fund**

The General Reserve Fund is appropriated each year as part of the operating budget to support any emergency and unforeseen occurrences. The funds can be accessed by a vote of the Advisory Board to authorize the expenditure. Each vote requires a simple majority of each policy board.

### **Policy:**

The Town shall phase up the annual appropriation of the General Reserve Fund to the amount of 0.5% of General Fund revenues by FY 2025.

## **C-3 Overlay Reserve**

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

### **Policy:**

Although the Board of Assessors is an autonomous independent Board, they are part of an overall effort to provide sound financial practices. As such, the Select Board may ask the Board of Assessors that the balance of the Overlay Reserve be no more than the estimated cost of outstanding abatement applications and annual exemptions. The Select Board may request that any funds over the estimated cost of outstanding abatements, annual exemptions, receivables, and interest due be released to Overlay Surplus by the end of each fiscal year. The decision, however, is that of the Board of Assessors. For the purpose of developing an annual Financial Plan, the Town will assume, with advice from the Assessor, that an Overlay Reserve shall be equal to 1% of the annual levy.

### **References:**

MGL 47, Section 31

## **C-4 Free Cash**

### **Background:**

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

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

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

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

**Policy:**

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

Annually, once Free Cash is certified, the Town will allocate these funds strategically, in order to strengthen the financial condition and liquidity of the community and sustain or increase the Town's bond rating.

The uses of Free Cash are as follows:

- Leave an amount as unappropriated, such that the total of the undesignated fund balance and the general stabilization fund never drop below 10% of the Town's annual operating expenditures.
- Provide funding for any existing "Snow and Ice" deficit.
- The remainder as follows:
  - The General Stabilization Fund shall receive at least 15% of the remaining certified Free Cash;
  - The Capital Stabilization Fund shall receive at least 15% of the remaining Certified Free Cash;
  - The Pension Stabilization Fund shall receive at least 10% of the remaining Certified Free Cash;
  - The remaining amount of 60% shall be available for other priorities authorized by the Select Board, including OPEBs, levy reduction, and/or other strategic reserves, as determined by the Select Board.

**References:**

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

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

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

## **D. CAPITAL IMPROVEMENT PLAN AND POLICIES**

### **Background:**

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

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

### **References:**

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

### **D-1 Capital Improvement Plan Budget**

#### **Policy:**

The Town's Long-Range Capital Improvement Plan shall project its equipment replacement and maintenance needs for at least five years and shall update the projection annually. The Plan shall identify and prioritize capital needs, estimate costs, and provide recommendations as to the source of funding for each project. From this projection, a maintenance and replacement schedule shall be developed and followed. In order to assure clarity and transparency, capital expenditures and operating budget expenditures shall be budgeted separately by each department head. Funding for approved capital projects shall be available as of July 1 of each year. The Town shall maintain all its capital assets at a level adequate to protect the Town's capital investment and to minimize future maintenance and replacement costs. The Capital Planning Committee may consider items not currently on the multi-year capital plan in order for the Town to take advantage of time-sensitive opportunities, alternative funding sources, and in cases of public safety.

A capital item is defined as a construction, reconstruction, rehabilitation, purchase of a building, purchase of land or purchase of equipment. In order to qualify as a capital project, the capital expenditure must have a useful life of three (3) years or more and must exceed \$15,000 in cost.

On or before September 15, the Town Administrator will request that Department Heads begin to develop requests for capital improvements. Capital project proposals, complete with descriptions, cost, source of funding and timetable for completion, shall be submitted to the Town Administrator on or before October 15. Additionally, the capital budget proposals should include an estimate of any additional maintenance costs, to be included in the development of the Town Administrator's annual operating budget submission. The Town Administrator shall develop a capital recommendation and submit it to the Select Board, Advisory Board, and Capital Planning Committee for review on or before November 15.

All capital asset acquisitions shall be a part of the capital planning process, no matter the origination or funding source, to ensure alignment with Town capital priorities. This includes donations, grant-funded purchases, and inter-departmental transfers.

On or before February 15, the Capital Planning Committee shall submit its recommendations on the Town Administrator's Long-Range Capital Plan to the Select Board and Advisory Board.

## **D-2 Capital Improvement Financing**

### **Background:**

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

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

### **Policy:**

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

- Outside Funding – State, federal, or private grant funding shall be pursued and used to finance the capital budget wherever possible.
- Local Funding -The first source of capital investment shall be the Capital Stabilization Fund. Even when a significant balance exists in this account, the Town will be cautious about the amount of borrowing to be done supported from the capital stabilization fund, as this is the funding source for "pay-as-you-go" projects. The Town will then use modest amounts from the capital stabilization or other reserves such as Free Cash above target levels to fund pay-as-you go capital needs. In the event that annual deposits into the capital stabilization fund change significantly, the Town will revisit this capital funding policy.
- Debt-Financing/Borrowing –
  - On an annual basis, the Town Treasurer and Town Accountant shall provide support to the Town Administrator who shall evaluate debt-funding scenarios, including lease-purchase financings, as part of the annual Five-Year Capital Improvement Plan proposal to the Select Board, Advisory Board, and Capital Planning Committee.
  - The total annual non-excluded debt service for general obligation debt (principal and interest) should not exceed 7.5% of the total estimated net operating revenue.



- Total general obligation debt shall not exceed that provided in the State statute under Massachusetts General Laws Chapter 44, Section 10, which is 5% of the equalized valuation.
- The Town shall finance capital projects through the issuance of debt for the shortest practical period, but in any event not in excess of the anticipated useful life of the financed asset.
- Where possible, the Town shall use special assessment revenues or other self-supporting bonds to support the obligation.
- The Town may issue Bond Anticipation Notes (BANs) as a form of short-term permanent financing (generally up to ten years under current statutes) by renewing the notes over a number of years and reducing the principal amount of the renewal.
- When Bond Anticipation Notes are issued on capital projects that require long-term financing, the Town will retire the notes within six months of the completion of the project.
- The Town shall maintain good communications with bond rating agencies about its financial condition. The Town will follow a policy of full disclosure on every financial report and bond prospectus per SEC regulations.
- The Town will attempt to maintain a long-term debt schedule such that at least 65% of its outstanding principal will be paid within 10 years.
- The Town will strive to issue level principal debt such that debt service will decline over the term of the issue as another means to mitigate risk regarding this funding source.

#### **References:**

Massachusetts General Laws, Chapter 44, Section 7;

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

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

The Town Administrator shall be responsible for requesting departments and Town Boards to submit their annual and long-term capital proposals to the executive office on or before the first October 15. After discussion and review of all proposals, the Town Administrator shall assemble and submit recommendations to the Select Board, Advisory Board, and Capital Planning Committee along with recommendations on available funding and source on or before November 15.

The Capital Planning Committee shall submit its recommendations for capital funding to the Select Board and Advisory Board on or before February 15. The Select Board and Advisory Board shall discuss and review all qualified capital proposals with the departments and Boards who have submitted the proposal, and make recommendations for funding approval at the next annual Town Meeting. The Capital Planning Committee shall develop a long-term capital plan and submit it to the, Select Board, and Advisory Board for review.

Additional policies are identified below:

- The Town Administrator shall coordinate development of the capital improvement budget.
- Future operating costs associated with new capital improvement will be projected and included in operating budget forecasts, as appropriate.

- Federal, state, or private grants or loans shall be used to finance only those capital improvements that are consistent with the Town's Capital Improvement Plan and priorities, and for which operating and maintenance costs have been included in operating budget forecasts.
- All assets shall be maintained at a level adequate to protect the Town's capital investment and to minimize future maintenance and replacement costs.
- Equipment replacement and building repair needs shall be projected for the next five years and will be updated each year. From this projection, a maintenance and replacement schedule will be developed and followed.
- Capital projects shall be prioritized based upon criteria establish by the Town.
- The estimated costs and potential funding sources for each proposed capital project shall be determined before the Town Administrator's recommendations are submitted to the Select Board, Advisory Board and Capital Planning Committee.
- Except as required by an emergency, all approved capital projects must be part of the annual adopted Capital Improvement Plan as required by the Town Bylaw.

**Policy D-3b:**

To meet the annual policy deadline, the calendar for development of the capital improvement plan is as follows:

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

## **E. GRANTS MANAGEMENT POLICIES**

### **Background:**

The Division of Local Services (DLS) recommends analyzing current and future impact of grants on operating budget, Capital Improvement Plan, and debt management.

The Government Finance Officers Association recommends that governments establish processes to promote awareness throughout the government that grants normally come with significant requirements.

### **E-1 Grant Administration**

#### **Policy:**

The Town shall consistently seek to maximize the benefits of grants while minimizing their risks. Prior to acceptance of a grant award, the Town shall consider any specialized requirement(s) that apply to the general operations of the grant, specific compliance rules, monitoring of other parties (e.g., sub-grantees) that may receive resources from the grant, specialized reporting requirements, and any long-term commitments required by the grant, such as the requirement - either as a condition of the grant itself or politically - to financially maintain a program or asset after the expiration of the grant, among other considerations. The Town shall ensure that it appropriately administers grants after their acceptance, as inappropriate administration can result in the failure to meet all grant requirements, potentially resulting in the need to return some or all of the resources to the provider.

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

#### **Policy:**

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

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

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

#### **Policy:**

When grants are accepted for capital purposes, the Town shall include in its capital improvement plan any share of costs associated with the grant and project the Town's share of debt service in its debt management plan. Any future increase or decrease in operating costs associated with the grant should be identified in the Town's revenue /expenditure forecast.

#### **References:**

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

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

#### **Background:**

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

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

#### **Policy:**

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

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

#### **References:**

M.G.L. c.140

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

*Costing Municipal Services: Workbook and Case Study*, MA DOR Division of Local Services' workbook.

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

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

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

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

#### **Background:**

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

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

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

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

#### **Policy:**

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

## **H. UNFUNDED LIABILITIES POLICIES**

#### **Background:**

Defined as “the actuarial calculation of the value of future benefits payable less the net assets of the fund at a given balance date”, unfunded liabilities represent a significant financial obligation for all levels of government across the country. In Westminster and other Massachusetts municipalities, the two primary unfunded liabilities are for Pensions and Other Post-Employment Benefits (OPEB).

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

#### **Background:**

The Contributory Retirement System is a defined benefit program that is governed by Massachusetts General Laws, Ch.32 and is regulated by the Public Employee Retirement Administration Commission (PERAC), a State entity responsible for the oversight, guidance, monitoring, and regulation of Massachusetts' 105 public pension systems. Funding for this system covers the costs of employees who are part of the Town's retirement program, which does not include teachers, as their pensions are funded by the State. The Town of Westminster is a member of the Worcester Regional Retirement

System. Pursuant to current state law, the Worcester Regional Retirement System has established, as of December 31, 2018, a funding schedule to fully-fund this liability by 2036.

**Policy:**

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

Upon fully funding the Pension obligation, the Town may transfer the annual required contribution (ARC) to support the Other Post Employment Benefits (OPEB) unfunded liability.

The Town has established a pension stabilization fund. The goal of this fund is to accumulate funds to address the Town's unfunded liability such that as the Town annual pension obligation increases, the Town is able to appropriate from this fund, in order to maintain a level annual pension cost in its annual operating budget. The objective is for the Town's portion of plan assets at the Worcester Regional Retirement System when combined with the pension stabilization fund balance, to never be below 70%.

**References:**

M.G.L. c.32

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

**Background:**

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

**Policy H-2a:**

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

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

**Policy H-2b:**

The Town shall continue to contribute to the OPEB Trust Fund. The total unfunded liability and the annual required contribution (ARC) will be determined by proration. The Town should strive to annually appropriate a minimum of \$100,000 into the OPEB Trust Fund until the pension liability is fully funded. The Town will then allocate the pension liability funding, minus the ARC, to the OPEB Trust Fund and work to achieve full funding of its OPEB liability.

**References:**

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

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

GASB Statements 74 and 75, on Other Postemployment Benefits, Governmental Accounting Standards Board.

**H-3 Compensated Absences**

**Background:**

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

**Policy:**

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

**References:**

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

**I. RISK MANAGEMENT POLICIES**

**PURPOSE:**

This policy is established to:

- Protect the revenue, property, information and other assets of the Town of Westminster from any attempt, either by members of the public, contractors, vendors, agents or its own employees, to gain financial or other benefits by deceit, at the expense of Westminster taxpayers.
- Provide controls to aid in the detection and prevention of fraud.

- Provide guidance to employees when misuse or misappropriation of Town of Westminster assets is suspected.

#### **APPLICABILITY:**

This policy applies to all appointed and elected officials and employees of the Town of Westminster.

### **I-1 Risk Management Program**

#### **DEFINITIONS:**

Occupational fraud is defined by the Association of Certified Fraud Examiners as, “the use of one’s occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization’s resources or assets.” There are three major categories of occupational fraud:

1. **ASSET MISAPPROPRIATION** – Theft or misuse of an employer’s assets, including:
  - **Cash:**
    - Fraudulent disbursements occur when the employer is caused to disburse funds through trickery or deception, such as submitting false invoices/time cards, expense reimbursement requests, etc.
    - Skimming occurs when cash is taken before it is recorded on the books and records.
    - Cash larceny occurs when cash is stolen after it has been recorded on the books and records.
  - **Inventory and other assets:**
    - Misuse of the Town’s inventory or assets for personal use (e.g. town vehicles, computers, supplies, etc.)
    - Larceny – theft of Town-owned inventory or other assets.
2. **CORRUPTION** – Wrongful use of influence to obtain personal gain or advantage through means that are illegitimate, immoral and/or inconsistent with one’s duty or the rights of others.
  - Conflict of Interest occurs when financial or other personal considerations have the potential to compromise or influence professional judgment and objectivity.
  - Bribery is the offering, giving, receiving, or soliciting of anything of value to influence an official act or a business decision.
  - Illegal gratuities – A party who benefits from an official act or a business decision gives a gift to a person who made the decision. An illegal gratuity does not require proof of intent to influence.
  - Economic extortion – An employee demands that a vendor, contractor, etc. pay to influence an official act or a business decision.
3. **FRAUDULENT STATEMENTS** – Falsification of an organization’s financial statements.



Other similar irregularities are defined as any activity involving questionable behavior or business dealings by members of the public, contractors, vendors, agents or Town employees, which put Town revenue, property, information and other assets at risk of waste or abuse.

Department Heads: Members of management are responsible for establishing and maintaining a system of internal controls to ensure the detection and prevention of fraud, waste, abuse and other irregularities. Department heads should be reasonably familiar with the types of fraud that might occur within their area of responsibility and be alert for any indication of fraud.

Department heads have the same responsibility with respect to reporting fraud as do all other employees of the Town, as outlined below.

Employees: Any employee of the Town of Westminster who knows or has reason to believe that a fraud has occurred, is responsible for immediately notifying his/her immediate supervisor. If the employee has reason to believe that the employee's immediate supervisor may be involved, the employee shall immediately notify the Town Administrator. Employees may remain anonymous when reporting a suspected fraud, but must maintain strict confidentiality concerning a reported fraud at all times. Employees have a duty to cooperate during an investigation.

Procedures: Upon notification from an employee of suspected fraud, or if management has reason to suspect that a fraud has occurred, they shall immediately notify the Town Accountant and Town Administrator.

Upon notification or discovery of a suspected fraud, the Town Administrator will promptly investigate the suspected fraud. In all circumstances where there are reasonable grounds to indicate that a fraud may have occurred, the Town Administrator will inform Town Counsel. Subject to the advice of Town Counsel, the Town Administrator will contact the Inspector General's office and/or the Westminster Police Department.

Once a suspected fraud is reported, the Town Administrator, in consultation with Town Counsel, shall take immediate action to prevent the theft, alteration, or destruction of relevant records. Such actions include, but are not necessarily limited to, removing the records and placing them in a secure location, limiting access to the location where the records currently exist, and preventing the individual suspected of committing the fraud from having access to the records.

Upon conclusion of an investigation, recommendations may be made to department heads where required in order to minimize future risk. Management is responsible for implementing the appropriate controls to prevent reoccurrence. The Select Board shall be made aware of any investigation and its conclusion.

Disciplinary Action: Appointing authorities are responsible for discipline of employees who have committed fraud, in consultation with Town Counsel. Employees who have committed fraud will be subject to disciplinary action, up to and including dismissal.

Where fraud is suspected of any Town employee, the individual will be given notice of the essential particulars of the allegations following the conclusion of the investigation and prior to final disciplinary action. The individual against whom allegations are being made will be given opportunity to respond. This requirement is subject to any collective bargaining agreement provisions respecting the rights of employees in the disciplinary process.

Confidentiality: All participants in a fraud investigation shall treat all information received confidentially. Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. To the extent possible by law, the identity of individuals involved in an investigation, including the identity of an individual alleging fraud and the identity of an individual alleged to have committed fraud will be protected.

Any staff person or elected official contacted by the media with respect to a fraud investigation shall refer the media person to the Town Administrator or designee. The alleged fraud or investigation shall not be discussed with the media by any person other than the Town Administrator or designee, in consultation with Town Counsel.

Whistle-Blower Protection: No person covered by this policy shall:

- Dismiss or threaten to dismiss an employee;
- Discipline or suspend or threaten to discipline or suspend an employee;
- Impose any penalty upon an employee; or
- Intimidate or coerce an employee, because the employee has acted in accordance with the requirements of this Policy.

**Policy:**

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

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

**References:**

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

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

**Policy:**

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

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

Upon conclusion of the investigation, the results will be reported to the Town Administrator. Where there are reasonable grounds to believe that a fraud may have occurred, the town shall pursue appropriate legal remedies for recovery of the assets.

## **J. ACCOUNTING POLICIES**

### **J-1 Annual Audit**

#### **Background:**

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

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

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

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

#### **Policy:**

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

The Town will either re-advertise for auditing services every three to five years or ensure that there is a regular rotation of audit managers within a particular firm if it elects to stay with a given audit firm. The Town will strive to have the annual audit completed by December 31<sup>st</sup> of the following year.

The Town shall not engage the selected independent outside Auditor for any additional consulting services in order to maintain an "arms-length" relationship with the audit firm.

**References:**

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

**J-2 Audit Review****Background:**

The Government Finance Officers Association states that: “An external audit is a practical means for a governing body to provide much needed independent review and oversight of the government’s financial reporting processes, internal controls, and independent auditors. An audit review also provides a forum separate from management in which auditors and other interested parties can candidly discuss concerns. By effectively carrying out its functions and responsibilities, an audit review helps to ensure that management properly develops and adheres to a sound system of internal controls, that procedures are in place to objectively assess management’s practices, and that the independent auditors, through their own review, objectively assess the government’s financial reporting practices.”

**Policy:**

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

**References:**

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

**J-3 Monthly Reporting****Background:**

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

**Policy:**

The Town Accountant shall produce and distribute monthly budget-to-actual reporting to evaluate the Town’s financial position per Massachusetts state law. These reports shall be submitted to the Advisory Board, among others. This will enable the Town to take prompt management action in the event that fiscal problems are indicated or adjust spending behavior to meet financial challenges. If financial problems are indicated, the Accountant will review with the Town Administrator a monthly

report of revenues and expenditures at the line-item level and submit the information to the Select Board and Advisory Board Chairman.

**References:**

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

**J-4 Cash Flow Forecasting and Budgeting**

**Background:**

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

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

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

**Policy:**

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

**References:**

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

**J-5 Performance Bonds**

**Policy:**

**Procedures for handling Planning Board accounts**

**Application Fees:** When an applicant applies to the Planning Board for plan approval (this could be Subdivision approval, Site Plan approval, Special Permit approval, or even an Approval Not Required or ANR endorsement):

1. Applicant gives check and completed application to Planner for processing.

2. Planner brings check and Schedule of Departmental Payments form to Treasurer (this form will include the name and address of the applicant, the project's street address, and the type of permit the applicant is applying for).
3. Planner brings a copy of the Schedule of Departmental Payments form to Accountant.
4. The application fee is deposited into the General Fund.

**Consultant Review Fees:** For larger projects that require outside consulting services, the Planning Board will accept funds from an applicant to cover the cost of hiring an independent consultant to review the project. In most cases, this will be to have the Planning Board's consultant engineer review the applicant's development plans, but the services could include consultants to review an applicant's traffic impact study, fiscal impact study, environmental impact study, and the like. The money to cover the cost of independent consultant services is paid via check to the Planning Board. The Planner takes the check to the Treasurer and they set up what is known as a 53G account. Documentation to go with the request of a 53G account will include the following:

1. The applicant's check for independent consulting services.
2. The Planning Board meeting minutes where the 53G services were requested by the Board and agreed to by the applicant.
3. A Schedule of Departmental Payments with all appropriate identifier information (name and address of the applicant, the project's street address, and the type of permit the applicant is applying for, the purpose of the consulting fees and the consultant that will render said services).
4. Planner brings a copy of the Schedule of Departmental Payments form to Accountant.
5. The application fee is deposited into a 53G account.

Upon receiving an invoice for payment from the 53G consultant, the Planner will utilize the following process to draw down the funds placed in the 53G consulting account for a particular project:

1. The Planner will submit a package to the Accountant that includes the consultant's invoice, all appropriate project identifier information, the Planning Board meeting minutes where the Board authorizes payment to the consultant, and a Schedule of Bills Payable.
2. Accountant authorizes a check to the consultant drawing from the funds previously deposited by the applicant into the 53G account.
3. Accountant notifies Planner when the check to the consultant was cut, the amount of the check, and the remaining funds in the 53G account.

To return unexpended 53G consultant monies, the Planning Board verifies that the project is complete and then votes to return the unexpended monies back to the applicant. For this, the Planner brings a copy of the Planning Board's vote to the Accountant along with a Schedule of Bills Payable.

**Sureties for Approved Projects:** At the conclusion of the application process for large-scale development projects, the Planning Board typically requires the applicant to submit a surety to cover the cost of the necessary on-site improvements (new road, water, sewer, street lights, landscaping, storm-water management, etc.). The purpose of the surety is to make sure there is money available to complete the site work should the applicant walk away from the project for whatever reason. The Planning Board will typically list the submission of a surety in the Conditions of Approval found within the Board's Notice of Decision. In the past, the Planning Board has accepted four types of sureties: cash or certificates of deposits.

When an applicant submits cash or a certificate of deposit as their surety, the following steps are used to process the surety:

1. The Planner brings the check or certificate of deposit to the Treasurer along with a Schedule of Departmental Payments, and a copy of the Planning Board's Notice of Decision where the Condition of Approval requiring the surety is highlighted. If the applicant plans on submitting a passbook containing the necessary funds to cover the required surety, the passbook must be in the Town's name.
2. The Treasurer works with the Accountant to set up a surety account for the project.

When an applicant requests a surety reduction from the Planning Board because a substantial amount of site work has been completed, the following procedures are used to process the surety reduction request when the surety is either **cash or a certificate of deposit**:

1. The Planning Board votes to have its consultant engineer inspect the completed site work and calculate the cost of the remaining site work.
2. The Planning Board's consulting engineer inspects the work and recalculates the cost of the remaining site work, and reports back to the Planning Board that the amount of the surety can be reduced by an amount equal to the value of the work completed, but making sure there is enough of a surety remaining to cover the costs of the remaining site work.
3. The Planning Board's consulting engineer submits an invoice to cover the cost of Step 2, and this invoice is processed through the normal 53G consultant payment process.
4. At a duly noticed public hearing, the Planning Board votes to reduce the surety amount per the consulting engineer's assessment.
5. Planner brings a package to the Accountant containing the following information: the Planning Board meeting minutes that specify the affirmative vote to reduce the surety along with a Schedule of Bills Payable.
6. Accountant authorizes a check to the applicant for the specified surety reduction, drawing from the funds previously deposited
7. Accountant notifies Planner when the check to the applicant was cut, the amount of the check, and the remaining funds in the Surety account.

#### **J-5a Security**

All Certificates of Deposit, Surety Bonds and Tri-Party Agreements are to be held in the Town's Treasury Department.

#### **J-5b Annual Review**

Prior to the end of each fiscal year, the Town Accountant shall review each outstanding agreement and determine if the terms of the agreement have been met. Any agreement which has all terms met, shall be returned to the contractor and removed from the general ledger.

### **K. TREASURY POLICIES**

#### **K-1 Cash Collections**

**Background:**

One of a government's functions is to collect taxes and other revenues. The process involves many participants including the Treasurer/Collector's office, accounting office, legal counsel, tax assessor, other departments or agencies, other governments at the state and/or local level, commercial banks, and private collection agencies.

**Policy:**

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

**K-2 Tax Titles****Policy:**

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

**K-3 Warranting Accounts Receivable****Policy:**

The Treasurer/Collector shall establish and maintain reliable record keeping systems and enforce a timely collections process. All amounts committed must be supported with a warrant and a detailed listing of all amounts due. The Warrant shall be sent to both the Treasurer/Collector and to the Town Accountant. All monies received should be turned over to the Treasurer/Collector's office at least weekly so they may be deposited in the bank in a timely manner.

**K-4 Collections****Policy:**

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

**K-5 Liens****Policy:**

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



**References:**

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

**K-6 Reconciling Cash and Receivables****Background:**

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

**Applicability:**

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

**Procedure:**

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

**Policy:**

The Town shall reconcile cash on a monthly basis and accounts receivable on a quarterly basis, as follows:

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

**References:**

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

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

**K-7- Aging Accounts Receivable****Background:**

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

**Policy:**

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

## **K-8 – Unclaimed Vendor and Payroll Checks (Tailings)**

### **Background:**

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

### **Policy:**

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

## **K-9 Ambulance Receipts**

### **PURPOSE:**

The purpose of this policy is to outline the procedures that will be used to write off ambulance receipts that have not been collected.

### **POLICY:**

The policy of the Westminster Fire Department and the Town of Westminster is to collect all receivables generated by the Fire Department ambulance with the exception of cases where payment would create severe financial hardship. It is with this intent that the following billing policy guidelines are established.

### **APPLICABILITY**

This is applicable to the receipt of fees charged for the provision of EMS services.

### **IMPLEMENTATION PROCEDURE:**

#### **Background**

The Town of Westminster contracts with Coastal Medical Billing, Inc. (the billing company) to provide ambulance billing and collection for ambulance services provided by the Fire Department ambulance. The Town of Westminster, as part of an agreement with the billing company, requires a standard method of pursuing collections that ensures payments are received that are owed to the Town, based

on established rates set by the Town as allowed under federal or state medical reimbursement regulations.

### **Policies**

- 1) The Town shall receive and review a monthly balance of accounts, including all aging and current accounts, provided by the billing company. The Town Administrator and Fire Chief shall meet on a quarterly basis to reconcile outstanding balances, confirm receivables, review uncollected receivables that the billing company recommends to be written off, and review claims of financial hardship.
- 2) The Town of Westminster shall meet with the billing company at least biannually, in January and June to discuss aging receivables that have had no activity within the prior 180 days. The process utilized by the billing company to pursue individual uncollected accounts shall be reviewed. The methods of collection that are considered to be fair and reasonable are: correspondence to the insurance company, the patient was insured for their medical transport, or if uninsured, documented phone calls, emails or fax transmissions to the patient or their insurance company. The final step will be to determine if the patient was reimbursed directly from their insurance company for their medical transport and has not reimbursed the Town.
- 3) The Town Administrator, with the recommendation of the Fire Chief, after confirming that the above policy has been met, will make a determination that an account is to be written off as an uncollected account. This determination does not constitute forgiveness of the debt if at a future date payment is received by the billing company. The determination to write off an account shall be based upon the inability of the billing company, or any agents that they may use, to locate or obtain direct contact with a patient, either by registered letter or some other means. A list of uncollectable accounts that are determined to be written off shall be provided to the Select Board for approval.

### **Collection Agency**

If the patient has ignored all attempts for reconciliation of their account the billing company will enter the account onto a collection report. This report will be sent to the Town on a quarterly basis when it will be reviewed by the Fire Chief to determine if some or all accounts will go to the collection agency. The Fire Chief will return the report to Coastal and provide them with a list of which of the patient accounts will go to a collection agency.

### **Financial Hardship Requests**

- 1) Requests for a waiver of a portion or all of an ambulance bill shall be submitted by the patient to the billing company; on the billing company's approved form for review and determination of financial conditions of the patient and ability to pay. The request may require documentation, such as hospital free confirmation, a letter from a third party such as a social worker, or a letter from the patient attesting to their hardship that has been signed under the pains and penalties of perjury.
- 2) The billing company will review all requests for waivers based upon financial hardship and shall issue a recommendation to the Fire Chief. The Chief will then review the recommendation from the billing company and make a recommendation to the Town Administrator. The Town Administrator will make the final determination on waivers or hardship requests.

- 3) The Fire Chief shall notify the billing company of the decision of the Town Administrator relative to the request for a waiver or financial hardship within five (5) days so that it may be documented in the accounts receivable report issued by the billing company.

**Note**

All information received as a result of this policy, including patient name, address, medical condition or history, and financial information is protected and may not be used as public record. Patient information is subject to compliance with federal, state, and local regulations relative to medical, personal and financial information for purposes of records retention and public record access.

**REGULATORY / STATUTORYS REFERENCES:**

List the sources if applicable upon which the policy is based, including related policies or procedures, guidelines, Town Bylaws, State or Federal laws.

## **L. PROCUREMENT AND PURCHASING POLICIES**

### **L-1 Procurement and Purchasing Policy**

**Background:**

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

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

**Policy:**

The Town of Westminster is subject to MGL Chapter 30B, as well as certain sections of Chapters 30 and 149 as they apply to the procurement of supplies and services, construction and repair of public works, and public building construction and repairs. Departments seeking to acquire products or services or enter into contracts for services and projects should consult with the Chief Procurement Officer to determine the appropriate procurement method for the particular item or service and the requirements that must be met to comply with applicable laws. A copy of any bid package, Request for Proposals (RFP) or Request for Quotes (RFQ) must be submitted to the Chief Procurement Officer for review prior to issuance. A copy of the general guidelines for public procurement is attached to this policy for reference.

To supplement this guidance, the Town Administrator, will develop a concise directive on purchasing procedures for department heads or others involved in Town purchasing or procurement. This directive applies to every town department, board, committee and commission for which a budget has been appropriated or a special money article has been approved by Town Meeting.

### **Procurement Practices**

1. Purchases and projects totaling \$10,000 or more require a written contract and a purchase order (P.O.) **PRIOR** to placing an order with a vendor or contractor. A project may involve more than one vendor, thereby requiring more than one P.O.
2. P.O.s are completed by the requesting department and are first submitted to the Town Accountant for certification of availability of funds. Upon certification of the funds, the Accountant will forward the P.O. to the Town Administrator for approval.
3. Upon approval, the Town Administrator will assign a P.O. number and return the original P.O. to the requesting department, with a copy to the Accountant. The amount of the P.O. will be encumbered by the Accountant to the account(s) identified on the P.O.
4. Submissions of P.O.s must be accompanied by proof of compliance with the procurement laws (three quotes, bid results, etc.), including an original copy of a fully executed contract in a form acceptable to the Chief Procurement Officer and/or Town Accountant. Contracts must also be accompanied by a completed Form W-9.
5. Emergency purchases are allowed only when the time required to comply fully with procurement laws would endanger the health or safety of people or property due to an unforeseen emergency. However, even under emergency situations, compliance with procurement laws is required to the extent possible.
6. Purchases directly associated with and made during an officially declared State of Emergency are exempt from requirements to obtain a P.O. (However, it should be noted that approval from the Division of Capital Asset Management must be obtained to waive certain statutory procurement requirements during emergency situations.)

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

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

## **M. INVESTMENT POLICIES**

### **Background:**

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

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

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

## **M-1 Investment Policy**

### **Policy:**

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

### **M-2 Procedures:**

The Town's Treasurer/Collector shall develop the appropriate procedures to assure liquidity, security and rate of return on Town assets.

### **References:**

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

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

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

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

## **M-3 Post-Issuance Tax Compliance Procedure for Tax-Exempt Debt Obligations and Other Tax-Benefited Obligations**

### **Background:**

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

### **Policy:**

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

## **APPENDIX RELEVANT SELECTIONS FROM THE WESTMINSTER BY-LAWS**

### **Chapter 28**

#### **FINANCES**

##### **§ 28-1. Warrant required for payment.**

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No money shall be paid from the Town treasury without a warrant or order therefor signed by the Town Accountant and approved, in writing, by the Select Board or a majority of them, which warrant shall state the appropriation from which the money shall be paid.

##### **§ 28-2. Approval of purchaser required.**

No bill, draft, order, charge or account against the Town shall be paid without being first approved, in writing, by the person, board, commission, department or other Town officer incurring the same.

##### **§ 28-3. Duty of Select Board to require detailed accounts.**

It shall be the duty of the Select Board to require detailed accounts, showing items and dates in all bills against the Town.

##### **§ 28-4. Transmission of bills to Town Accountant.**

The Select Board and all boards, committees, heads of departments and officers authorized to expend money shall approve, in writing, and transmit to the Town Accountant as often as once each month and at such other time or times as the Town Accountant shall request, in writing, all bills, drafts and orders chargeable to the respective appropriations of which they have the expenditure. The Town Accountant shall examine all such bills, drafts and orders and, if found correct and approved as herein provided, shall draw a warrant upon the Treasurer for the payment of the same, and the Treasurer shall pay no money from the treasury except upon such warranty approved by the Selectmen.

##### **§ 28-5. Certification of appropriations.**

The Town Clerk shall, as soon as an order or vote appropriating money becomes effective, certify to the Select Board, the Assessors and the Town Accountant each appropriation in detail and the provision made for meeting the same, if specified in the appropriation, order or vote.

##### **§28-6. (Reserved).<sup>1</sup>§**

##### **§ 28-7. Time limitations for specific appropriations. [Added ATM 5-4-2002 by Art. 42]**



- A. As used in this section, a "specific appropriation" is a Town Meeting authorization described in the vote of the Town Meeting article to be an appropriation for a particular, identifiable purpose.
- B. Unless otherwise provided in a vote of the Town Meeting making a specific appropriation, or unless a specific appropriation has been encumbered by contractual obligations, the funds for a specific appropriation shall remain available for a period of three years from the commencement of the fiscal year in which the funds appropriated were authorized. At the end of the third fiscal year, any funds remaining in the specific appropriation shall revert to the General Fund of the Town.
- C. General appropriations for salaries and other ordinary recurring departmental expenses shall continue to revert to the General Fund at the close of the fiscal year for which they are made, as provided by law.
- D. Exceptions.
  - (1) Nothing in this section shall be construed to affect the right of any creditor of the Town regardless of the reversion of any appropriation to the General Fund.
  - (2) An article appropriating funds utilized by an enterprise fund shall be closed at the end of the above period to the retained earnings of that enterprise fund.
  - (3) Nothing in this section shall be construed to affect appropriations that require borrowing.
  - (4) Articles voted prior to the effective date of this section shall revert to the General Fund at the end of the fiscal year in which this section becomes effective.
- E. Extension of appropriation. The Select Board may, in its discretion, upon receipt of valid and sufficient written explanation, vote to extend for one fiscal year the date on which the specific appropriation would otherwise terminate and revert to the General Fund. Any further extension of the appropriation shall require Town Meeting approval.

**§ 28-8. Solicitation or award of contracts by procurement officers.  
[Added STM 11-4-2003 by Art. 28]**

Duly delegated procurement officers of the Town shall be authorized to solicit and/or award contracts, leases, and other agreements for terms in excess of three years, only if said contracts, leases or other agreements are ratified by a majority vote of the Select Board.

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1. Editor's Note: Former § 28-6, Competitive bids required for certain work; exemptions, as amended, was repealed ATM 5-7-2016 by Art. 40.

**§ 28-9. Revolving Funds. [Added ATM 5-6-2017 by Art. 4]**

- A. Pursuant to M G L c. 44, § 53E 1/2, as amended, there are hereby established the following Revolving Funds for the departments listed below which shall be credited with the receipts collected in connection with the stated programs and activities and which shall be expended by the authorized Town board, department or officer for the purposes of such programs and activities listed below: **[Amended 5-5-2018 ATM by Art. 4]**

	<b>Revolving Fund</b>	<b>Authority to Spend</b>	<b>Revenue Source</b>	<b>Use of Fund</b>
1	Hazardous Materials Recovery	Fire Chief	Charges paid by responsible parties for disposal of hazardous materials	Pay expenses incurred for recovery and disposal of hazardous materials
2	Agricultural Commission Programs	Agricultural Commission	Receipts received as payment for participation in programs and activities	Pay expenses as reasonably related to programs and activities
3	Public Health Clinic and Emergency Response	Board of Health	Payments received for the purchase and administering of such of flu and other vaccines and medications	Pay expenses reasonably related to the administering of such programs
4	Private Road Maintenance pursuant to Chapter 173 of Town Code	Director of Public Works	Costs paid by residents of private roads who have	Pay expenses incurred for private road maintenance
			asked the Town projects	
			to conduct repairs and maintenance to their roads	requested and paid for by residents of private roads

- B. Expenditures from each revolving fund set forth herein shall be subject to the limitation established annually by Town Meeting or any increase therein as may be authorized in accordance with MGL c. 44, § 53E 1/2.