TOWN OF MONTAGUE

FINANCIAL MANAGEMENT AND OPERATIONS POLICIES

December 2022

TABLE OF CONTENTS

INTRODUCTION 1

A. FINANCIAL MANAGEMENT POLICIES 1

A-1 Annual Budget Process 4

A-2 Capital Planning 9

A-3 Debt Management 15

A-4 Enterprise Fund 21

A-5 Financial Reserves 25

A-6 Investments 34

A-7 Other Post-Employment Benefits (OPEB) 367

A-8 Enforcement of Property Tax Collections 401

A-9 Tax Rate Setting 47

A-10 Revenue and Expenditure Forecasting 51

A-11 Annual Audit 54

A-12 User Fees 57

B. FINANCIAL OPERATIONS POLICIES 60

B-1 Cash and Receivables Reconciliations 60

B-2 Grant Management 63

B-3 Employee Reimbursements 67

B-4 Anti-Fraud 72

B-5 Procurement 76

B-6 Revenue Processing 81

INTRODUCTION

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

It is important to point out that this is not a static document; conditions and the environment in which municipalities operate can change. Consequently, these policies and procedures should be reviewed periodically to determine if modifications are warranted. The Finance Committee will review the Town's financial policies annually by October 1st, and make any recommendations to the Selectboard.

OBJECTIVES:

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

A. *To guide elected and appointed officials in evaluating and implementing decisions that have significant impact on the Town;*

B. *To set forth planning and operating principles which require that the cost of government be clearly identified and that financial risk be minimized;*

C. *To regularly evaluate the Town's financial capacity to meet present and future needs;*

D. *To promote credible and sound financial management by providing accurate and timely information on the Town's financial condition to elected officials, staff, the public and external interests;*

E. *To ensure that current and future capital needs are addressed in a comprehensive and financially-sound manner;*

F. *To promote improvement in the Town's credit rating and provide financial resources sufficient to meet the Town's obligations on all municipal debt and other long-term obligations; and*

G. *To establish an effective system of internal controls that ensures the proper use of financial resources.*

A. FINANCIAL MANAGEMENT POLICIES

A-1 Annual Budget Process

PURPOSE

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

APPLICABILITY

This policy applies to the Finance Committee, the Selectboard, the Town Administrator, Assistant Town Administrator, the Town Accountant, the Director of Assessing, the Capital Improvements Committee (CIC), and Town Meeting.

The Town's annual operating budget (see definition below) is developed through a collaborative process that involves the Town Administrator and Financial Management Team (Accountant, Treasurer and Director of Assessing), the Selectboard, the Finance Committee, and the Capital Improvements Committee.

DEFINITIONS

Annual Budget - comprised of requests for funding for general fund operations, enterprise fund operations, non-capital special article requests, and capital projects. The fiscal year for the Town's annual budget begins on July 1, and is named according to the calendar year in which it concludes, e.g. the annual budget for FY2023 starts July 1, 2022 and ends June 30, 2023.

Capital Project - a major, non-recurring expenditure that generally meets the following criteria:

- Massachusetts General Law permits the Town to issue bonds to finance the expenditure;
- Project cost is $25,000 or greater;
- Proposed project or asset to be acquired has a useful life of 5 years or more including:
    - New public buildings, or additions to existing buildings, including land acquisition costs and equipment needed to furnish the new building or addition for the first time;
    - Alterations, renovations, or improvements to existing buildings;
    - Land acquisition and/or improvements, unrelated to public buildings, but necessary for conservation, recreation or off-street parking;
    - Major equipment acquisition, replacement or refurbishment, including but not limited to vehicles, furnishings, and information technology systems' hardware and software or other items that combined in purpose together make it a Capital Project;
    - New construction or major improvements to Town's physical infrastructure, including streets, sidewalks, stormwater drains, and the sanitary sewer system. Infrastructure improvements must extend the useful life of the infrastructure by at least ten (10) years to be appropriately classified as a Capital Project;

Feasibility studies, engineering design services, or consultant services which support and a part of a future Capital Project

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

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

Gill-Montague Regional School District (GMRSD) Affordable Assessment – as a matter of policy, per the agreement captured in the 2009 Compact for Funding Education endorsed by the Administration and School Committee of the Gill-Montague Regional School District, the Selectboards and the Finance Committees of Gill and Montague, and reaffirmed by consensus of those boards in 2019, 48.5% estimated general fund revenues for the ensuing fiscal year shall be known as the "Affordable Assessment" and be allocated to support the recommended budget of the GMRSD.
For the purpose of calculating the Affordable Assessment, estimated general fund revenues for the ensuing fiscal year shall be exclusive of those revenues characterized as non-recurring and/or revenues targeted to support specific operating budget programs, e.g., veterans benefit reimbursements, solid waste fees, Council on Aging reimbursements from the Town of Gill, a portion of Kearsarge Lease Fees and School Resource Officer (SRO) reimbursements from the FCTS and the GMRSD.

Operating Budget – The plan of proposed expenditures for personnel, supplies, and other regular expenses for the coming fiscal year. Unused and unencumbered appropriation balances close at the end of the fiscal year.

Special Article – A separate appropriation for a specific purpose, which can be capital or non-capital in nature. Unless it adds to an operating budget's appropriation, the unused balance does automatically close at the end of the year but remains until completely used, the purpose is completed, or the balance is appropriated for another purpose.

POLICY

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

- As required by Massachusetts General Law (M.G.L. c.44, §31 and M.G.L. c.59, §§ 21C-23), the recommended annual operating budget shall be balanced; that is, total recommended appropriations shall be supported by estimates of revenue equal to those appropriations.

- Recommended appropriations shall be realistically budgeted and revenues shall be conservatively estimated.

- As a general rule, sources of estimated revenue shall be reasonably expected to recur annually to sustain recurring annual expenditures. The document presenting the recommended annual budget shall include a presentation of estimated revenues and the assumptions underlying the estimates.

- The Town will seek to avoid using budgetary relief offered by statute or regulation that balances the budget at the expense of future years, such as amortizing deficits over multiple years.

- The Town will not use one-time or non-recurring revenues to balance the budget, except in the event of emergency, extraordinary or unforeseen circumstances. Should such an event necessitate the use of one-time revenues to balance the budget, the Selectboard, Town Administrator, and Finance Committee shall present along with the budget a plan to return the town to a structurally balanced budget within three years.

- The Town shall maintain reserves for emergencies and other purposes (See Financial Reserves Policy) and shall maintain liquidity sufficient to pay bills on time to preclude the need to borrow in anticipation of revenue.

PROCEDURES

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

- By October 1st, the multi-year revenue and expenditure forecasting tool and financial policy guidelines have been prepared for use in the budget development process for the upcoming year. The Town Accountant and Town Administrator are responsible for keeping the forecasting tool up to date, the CIC and Assistant Town Administrator maintain the capital plan, and the Finance Committee reviews the financial management policies annually and makes recommendations for any changes to the Selectboard.
- In October, the Capital Improvements Committee (CIC), working through the Assistant Town Administrator, develops and transmits to the Town Administrator, the Selectboard and the Finance Committee a calendar identifying dates including:

    - a schedule for the submission of capital project requests by Town departments and the GMRSD for years 1 through 6 of the Capital Improvement Plan (CIP).

    - a scheduling period within which departments requesting capital projects will appear before the CIC to respond to the Committee's questions about project proposals, and to provide information and answer questions regarding the cost estimates and scope for any projects proposed for the Capital Budget (coming fiscal year).

    - a date (typically on or about January 15) by which the Assistant Town Administrator will submit to the CIC a finalized set of capital projects to comprise the coming fiscal year's Capital Budget.

- a joint meeting of the Finance Committee and CIC (typically on or about March 15), at which the CIC and Assistant Town Administrator will present and discuss the recommended Capital Budget and Six-Year Capital Improvement Plan.

- By November 1st, the Town Accountant provides department heads and committee chairs with the forms they will use to submit their budget requests for the upcoming year and the GMRSD with a preliminary estimate of the Affordable Assessment. The Town Administrator brings information about substantive changes under consideration for town services/programs to the attention of the Selectboard and Finance Committee.

- By December 15th, departmental requests for the operating budget and non-capital articles are submitted to the Town Accountant, who incorporates them into the budget workbook and distributes the workbook, the accompanying narratives, and non-capital special article requests to the Selectboard, the Finance Committee, and the Town Administrator.

- By mid-January, the Finance Committee chair, the Selectboard chair, the Town Administrator and the Town Accountant shall agree on a schedule for the remainder of the budget process and proposed dates that include, but are not limited to, the following:

  - Presentation by the Town Administrator and Town Accountant to the Selectboard and the Finance Committee on the status of the current year's budget, and for the ensuing fiscal year: a) updated estimates of revenue, b) an overview of proposed expenditures related to the operation of town departments (including information about personnel and programmatic changes), and c) anticipated capital requests
  - Reviews of departmental and committee requests (These are scheduled and hosted by the Finance Committee.)
  - A New Growth estimate, which will inform the final budget figure for use in the Annual Budget Process and calculation of the final Affordable Assessment.
  - At least one joint meeting of the Finance Committee and Selectboard, with representatives of the Town of Gill the Franklin County Technical School and the GMRSD, to review the two school districts' assessments and capital requests for the upcoming year.
  - By March 15th, a joint meeting of the Finance Committee, Selectboard and Capital Improvements Committee to receive CIC's final report on the coming fiscal year's capital projects and its recommendations, and to discuss funding sources for requests that are likely to appear on the warrant.
  - A meeting at which the Finance Committee makes recommendations for annual appropriations to Reserves and Trust Funds.
  - At least one joint meeting of the Finance Committee and the Selectboard to finalize the operating budget that will be recommended to the Annual Town Meeting and discuss other articles to be included in the Annual Town Meeting warrant.

- Dates for the opening and closing of the warrant for the Annual Town Meeting; the date when Annual Town Meeting materials will be released. These materials include the Finance Committee's report on the recommended budget for the ensuing fiscal year.
- The Annual Town Meeting, typically held on the first Saturday in May.

REFERENCES

M.G.L. c. 44, §31

M.G.L. c.59, §§ 21C-23

Town of Montague – Capital Planning policy

Town of Montague – Revenue and Expenditure Forecasting policy

Town of Montague – Financial Reserves policy

ADOPTED BY: MONTAGUE SELECTBOARD

DATE ADOPTED: NOVEMBER 28, 2022

A-2 Capital Planning

PURPOSE

Capital assets are fundamental to the functioning of any municipality. The presence and condition of such assets will naturally enable or restrict the ability of the community to operate and prosper. Capital planning, therefore, is essential to the near- and long-term success of the community. The purpose of this policy is to define an annual capital planning process to identify the need for the acquisition of new capital assets, the repair or replacement of existing assets, and the proposed financing of each.

APPLICABILITY

This policy applies to all town departments, boards, and committees that maintain an inventory of capital assets; to the Capital Improvement Committee (CIC) with responsibility for creating an annual Capital Improvement Plan; to the Finance Committee with responsibility to review and take positions on capital projects proposed for funding and for integrating CIC recommendations into the recommended annual budget; to the Town Administrator or his/her designee in providing support to the CIC in developing the annual Capital Improvement Plan; and, the Selectboard in its role to review and take positions on capital projects proposed for funding. Further, it is relevant to the Gill-Montague Regional School District, which operates in Town-owned buildings that are under its care.

Regarding the CIC, in 1978, the Town of Montague, through an amendment to Town By-Laws, established the CIC to conduct long-term capital planning. Specifically, its charge was "to conduct an annual review of the capital improvements program of the Town as well as proposals for the construction of municipal buildings and acquisition of property, to make recommendations to the Town Meeting regarding the above, and to prepare an annual report".

DEFINITIONS

Annual Budget: comprised of requests for funding for general fund operations, enterprise fund operations and capital projects.

Available Funds: balances available for expenditure established through previous appropriations (e.g., stabilization funds or overlay surplus) or from a Fund's positive operating results at fiscal year-end (e.g. free cash or retained earnings).

Capital Asset: Any municipally owned facility, road, bridge, sidewalk, utility infrastructure, property, park, installed feature, vehicle, or equipment valued at or above $25,000.

Capital Improvement Plan: a 6-year plan prepared annually as part of the annual budget process which is comprised of the Capital Budget proposed for consideration for funding in the upcoming fiscal year (year 1 of the Plan), and years 2-6 including capital projects identified as candidates for funding in future fiscal years.

Capital Project: a major, non-recurring expenditure that generally meets the following criteria:

- Massachusetts General Law permits the Town to issue bonds to finance the expenditure;

- Project cost is $25,000 or greater;

- Proposed project or asset to be acquired has a useful life of 5 years or more including:
    - New public buildings, or additions to existing buildings, including land acquisition costs and equipment needed to furnish the new building or addition for the first time;

    - Alterations, renovations, or improvements to existing buildings;

    - Land acquisition and/or improvements, unrelated to public buildings, but necessary for conservation, recreation, or off-street parking;

    - Major equipment acquisition, replacement, or refurbishment, including but not limited to vehicles, furnishings, and information technology systems' hardware and software or other items that combined in purpose together make it a Capital Project;

    - New construction or major improvements to Town's physical infrastructure, including streets, sidewalks, stormwater drains, and the sanitary sewer system. Infrastructure improvements must extend the useful life of the infrastructure by at least ten (10) years to be appropriately classified as a Capital Project;

    - Feasibility studies, engineering design services, or consultant services which support and are a part of a future Capital Project.

Prior Year General Operating Revenue (PYGOR): a formulation used in the annual budget process for a variety of purposes in developing the proposed General Fund operating budget for the upcoming fiscal year. It is a function of General Fund revenues of the prior fiscal year and defined as follows:

- Property tax of the prior fiscal year as billed (Page 1, Item Id. - Tax Rate Recapitulation Sheet of the prior fiscal year) less:
    - Excluded Debt (Form DE-1 - Tax Rate Recapitulation Sheet of the prior fiscal year)
    - Allowance for Abatements and Exemptions (Page 2, Item II.d - Tax Rate Recapitulation Sheet of the prior fiscal year)

  Plus

- Total Prior Year actual General Fund revenue less:

    - prior year property tax revenue collected (real and personal property taxes and revenue from tax liens and tax possessions)
    - local receipts deemed non-recurring or designated for a particular purpose

POLICY

The following shall be the policy of the Town:

- To maintain its physical assets by providing funding in the annual operating budget to protect its capital investments and minimize future maintenance and replacement costs.

- To pursue a program of preventive maintenance as a cost-effective approach to protecting its capital investments and maximizing the useful life of its capital assets capital including the procurement of outside services where Town staff capacity or expertise appears insufficient to perform such preventative maintenance.

- To endeavor to provide and preserve the infrastructure and equipment needed for achieving the highest levels of public services and quality of life possible by annually developing a six-year Capital Improvement Plan to ensure adequate investment in the Town's capital assets.

- The following shall be considered in the identification of financing of capital:

    - Town Budgeted General Operating Revenues, Enterprise Fund revenues, Available Funds, (e.g., Special Purpose Stabilization Funds, Free Cash, Retained Earnings and Overlay Surplus), and grant funds from the federal and state governments.

    - Long-term debt shall be considered an appropriate funding source for capital requests whose costs cannot be accommodated within the annual operating budget without adversely affecting the financing of services.

    - The target for spending from General Fund operating revenue in the annual Capital Budget – to finance debt service on projects proposed for funding with debt and those proposed for funding with cash (pay-as-you-go projects) - shall be equal to a minimum of 6 to 8% of the Prior Year's General Fund operating revenue (PYGOR). The 6% to 8% shall be comprised of the following:

        - 2% of the Prior Year's General Fund operating revenue shall be targeted for building improvements and equipment repair or replacement on a pay-as-you-go basis.

        - 4% to 6% of PYGOR shall be targeted to fund debt service on non-excluded debt-financed projects.

    - If in any year funds needed for the Capital Budget recommended to Town Meeting are below the minimum target of 6% of the Prior Year's General Fund Operating Revenue, the difference in revenue allocated for this purpose shall be appropriated into a capital stabilization fund to offset the costs of future capital projects. For the purpose of this policy, the value of excluded debt may be considered when considering the minimum target of 6% of PYGOR.

- The term for which debt is issued shall comply with the limits in Massachusetts General Law. Notwithstanding these limits, debt maturities should be equal to or less than the useful life of the asset being financed.

- To the extent practicable, assets with short useful lives that are replaced regularly, e.g., police cruisers, shall be funded in the operating budget.

PROCEDURES

- The CIC shall have responsibility for coordinating the development of the annual Capital Improvement Plan, to be delivered on a timeline that supports the Annual Budget Process. The CIC shall create the form on which capital project requests are submitted. On or about October 1st, the CIC shall develop and transmit to the Town Administrator, Selectboard, and Finance Committee a calendar identifying dates in the development of the plan including:

    - a schedule for the submission of capital project requests by Town departments and the GMRSD for years 1 through 6 of the Capital Improvement Plan (CIP).
    - a scheduling period within which departments requesting capital projects will appear before the CIC to respond to the Committee's questions about project proposals, and to provide information and answer questions regarding the cost estimates and scope for any projects proposed for the Capital Budget (Year 1 of the CIP).
    - a date (typically on or about January 15) by which the Town Administrator will submit to the CIC a finalized set of capital projects to comprise the Capital Improvement Plan. Projects proposed for the Capital Budget shall comply with the requirements of the CIC capital project request form.

    - a joint meeting of the Finance Committee and CIC (typically on or about March 15), at which the CIC and Town Administrator or their designee will present and discuss the recommended Capital Improvement Plan.

- The Capital Improvement Plan shall include:

    - projects recommended for funding in the upcoming fiscal year (the Capital Budget)

    - identify prospective sources of funding for projects in the Capital Budget (see the Town's Financial Reserves and Debt Management Policies)

    - Current debt service and projected annual debt service based on projects in the Capital Budget identified as candidates for debt financing.

    - A list of requested projects by department with estimated costs and indication of departmental priority for years 2 through 6 of the Capital Improvement Plan

- Only projects that have gone through the annual capital planning process will be considered for funding unless required by an emergency, which may be determined based on hazard to public safety, potential damage to people or property, regulatory requirement, grant availability, or other factors. Emergency requests will be submitted to the Town Administrator or their designee, in a form prescribed by the Town Administrator, for review and consideration. If the Town Administrator deems the request constitutes an emergency, he/she shall transmit the request, including a recommendation of the source of funding, to the CIC, the Finance Committee and the Selectboard for consideration.
- In prioritizing each capital request, the CIC shall determine how the project addresses the following criteria:

    - Defined Criteria/Rationale Used in Assessing Special Article Requests

    - Public Safety: Does the capital improvement rectify a safety concern or otherwise prevent a potential public safety issue?

    - example: Installing the new front porch/egress stairs at the senior center. The old porch egress had stairs with risers that were inches higher than what is allowed by building code, resulting in the potential of a dangerous fall.

    - Cost Avoidance: Will the capital improvement save the town financially?

    - example: Replacing the controls at Denton Street sewer pump station. New controls included in the upgrade enhance its reliability and allow the station to be monitored remotely resulting in reduced alarms and need to send crew out to check on the system.

    - Service Interruption: Does the capital improvement prevent an interruption in services?

    - example: Replacing the building management system and components at TFHS. Without upgrading and replacing the hardware and software the school would be vulnerable to losing its ability to operate the equipment necessary to control classroom temperatures. Failure of the system would result in school closure.

    - Other- Any other reason identified as relevant by the CIC. This may include considerations such as regulatory requirements or orders, environmental sustainability, community and social equity concerns, concerns related to accessibility, availability of matching grants, program efficiency or improvements, etcetera.

- Generally speaking, in consultation with the Town Administrator, within twelve months after the completion of a capital project or acquisition financed through a special article, the Town Accountant shall close out the project so any unexpended balance financed with cash or bond proceeds can be re-deployed for other purposes pursuant to Massachusetts General Law or regulation.

REFERENCES

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

M.G.L. c. 44, § 20 M.G.L. c. 44, § 33B

Section 6 of Article II of the By-Laws of the Town of Montague creating the Capital Improvement Committee

Division of Local Services Best Practice: Presenting and Funding Major Capital Projects

ADOPTED BY: MONTAGUE SELECTBOARD

DATE ADOPTED: NOVEMBER 28, 2022

A-3 Debt Management

PURPOSE

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

APPLICABILITY

This policy applies to the Selectboard, Town Administrator, Finance Committee and the Capital Improvements Committee in their capacity as budget decision makers, and to the Treasurer/Collector in regard to his/her responsibility to manage the issuance of debt.

DEFINITIONS

Annual Budget: comprised of requests for funding for general fund operations, enterprise fund operations and capital projects.

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

Betterment or Special Assessment: a special property tax that is permitted where real property within a limited and determinable area receives a special benefit or advantage, other than the general advantage to the community, from the construction of a public improvement.

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

Bond counsel: special legal counsel with expertise in the issuance of municipal bonds hired to ensure that all aspects of a bond issue - from town meeting authorization to bond sale to post-sale reporting and disclosure - conforms to all applicable state and federal law and regulation.

Capital Outlay Expenditure Exclusion: authorized by Massachusetts General Laws (M.G.L. c. 59, § 21C (i1/2)) is a mechanism that allows a community to raise the total dollar cost of a capital purchase or capital project through a one-year increase in the tax levy. In this way, the municipality avoids long-term interest costs, if it were to borrow the needed funds. A capital exclusion can only be used to fund purposes, specified in Ch. 44 Sec. 7 and Sec. 8, for which a community may incur debt.

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

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

Exempt debt: authorized by Massachusetts General Laws (M.G.L. c. 59, § 21C (j)) is General Fund debt financed outside the limits of Proposition 2 ½ pursuant to a debt exclusion vote approved by a majority vote of registered voters in the town.

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

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

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

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

Prior Year General Operating Revenue (PYGOR): a formulation used in the annual budget process for a variety of purposes in developing the proposed General Fund operating budget for the upcoming fiscal year. It is a function of General Fund revenues of the prior fiscal year and defined as follows:

- Property tax of the prior fiscal year as billed (Page 1, Item Id. - Tax Rate Recapitulation Sheet of the prior fiscal year) less:
    - Excluded Debt (Form DE-1 - Tax Rate Recapitulation Sheet of the prior fiscal year)
    - Allowance for Abatements and Exemptions (Page 2, Item II.d - Tax Rate Recapitulation Sheet of the prior fiscal year)

  Plus

- Total Prior Year actual General Fund revenue less:

    - prior year property tax revenue collected (real and personal property taxes and revenue from tax liens and tax possessions)
    - local receipts deemed non-recurring or designated for a particular purpose

Proposition 2 ½: pursuant to Massachusetts General Law (M.G.L. c. 59, § 21C (f)), a limit in the annual increase in a municipality's property tax levy to 2 ½ percent plus an increase attributable to new construction in the town. In addition, upon voter approval property taxes may increase beyond the limits of Proposition 2 ½ on a permanent basis to fund increases in the operating budget or on a temporary basis to fund capital improvements.

Revenue Anticipation Note (RAN): pursuant to authority granted by MGL Ch. 44 s 4, a short-term loan issued to provide operating cash in anticipation of estimated revenue yet to be received, such as tax collections and state aid.

POLICY

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

- The means of identifying projects that are candidates for debt financing shall be part of an annual capital planning process (see the Town's Capital Planning and Financial Reserves policies).

- It is recognized that multiple capital investments may not be able to be financed on a pay-as-you go basis in a given fiscal year without the risk of adversely affecting general fund or enterprise fund operating budgets. Therefore, it shall be policy that any capital project in excess of $25,000 may be a candidate for financing through the issuance of long-term debt.

- Major new construction projects or significant renovations and capital expenditures to be funded with General Fund revenue, where the Town's share is in excess of $500,000, may be candidates for funding through a Proposition 2 ½ debt exclusion.

- The Town will endeavor to structure non-exempt, exempt and enterprise fund debt in a manner that will minimize the impact on taxpayers and ratepayers.

- Projects recommended for funding through the issuance of debt shall not be approved without an estimate of the annual debt service that will result from bonds issued and consideration of the impact the debt service will have on the Town's annual budget. In this regard, the Town will endeavor to manage debt so as not to exceed the following target:

    - Total General Fund, non-exempt, long term debt service (including the Town's share of GMRSD debt service) as a percentage of the Town's Prior Year's General Fund Operating Revenue (PYGOR) shall not exceed 10 percent with a target of 5 percent. In addition, as a general rule, the Town shall strive to maintain a debt service floor of 2 percent of the Prior Year's General Fund Operating Revenue representing a commitment to maintaining its capital assets from recurring revenue.

- Annual debt service shall not, in any fiscal year, grow at a rate that exceeds the projected percentage increase in General Fund revenue for that year as calculated on the same basis as PYGOR.

- Notwithstanding the maximum terms allowed by Massachusetts General Law (M.G.L. c. 44, §§ 7-8) for the issuance of bonds, the Town will (1) seek to limit the term so that it is equal to or less than the Town's estimate of the useful life of the asset being financed; (2) for a given purpose, strive to issue debt for a shorter period than the maximum term allowed when that term exceeds 10 years; and, (3) except for major buildings, sewer projects and land acquisition, limit bond maturities to no more than 10 years. Under no circumstances should the Town schedule debt for repayment for a term greater than 30 years unless required to do so by what is determined to be an advantageous funding program, such as those offered by USDA.

- In an effort to free up capacity within the annual general fund debt service budget to accommodate proposed capital projects to be financed through the issuance of debt, the Town will (1) attempt to maintain a long-term debt schedule so that at least 50% of the outstanding principal will be retired at the end of 10 years; and, (2) where possible, issue debt on a level principal/declining interest basis (so that annual debt service will decline over the term of the bond).

- The Town, with advice from its financial advisor, shall endeavor to issue debt with call dates to facilitate refunding if the interest rate environment changes to the Town's advantage.

- The Town will strive to maintain, if not enhance, its bond rating through the development of policies and procedures that address the following evaluative criteria used by rating agencies in evaluating a municipality's creditworthiness.

    - Debt Factors: debt per capita, debt as a percentage of equalized valuation, rate of debt amortization and the amount of exempt versus non-exempt debt.

    - Financial Factors: Operating surpluses or deficits, free cash as a percentage of revenue, state aid reliance, property tax collection rates, and unfunded pension liability.

    - Economic Factors: property values, personal income levels, tax base growth, tax and economic base diversity, unemployment rates and population growth.

    - Management Factors: governmental structure, the existence of a capital improvement plan, the quality of accounting and financial reporting, etc.

- Short-term financing for capital projects, reimbursable grants or in anticipation of property tax collections through internal borrowing or the issuance of bond, grant or tax anticipation notes is appropriate. Internal borrowing shall be in compliance with Massachusetts General Laws (M.G.L. c. 44, § 20A} based on the Treasurer's assessment of the Town's cash flow position and the availability of surplus cash, and the current interest rate environment for (1) the investment of Town funds, and (2) rates for short and long-term borrowing, with the understanding that an internal borrowing not retired by June 30 of a fiscal year through the issuance of a short-term note, a bond or the receipt of grant funds may adversely affect the Department of Revenue's certification of the Town's free cash.

- Notwithstanding the maximum terms for the issuance of debt prescribed by Massachusetts General Laws (M.G.L. c. 44, §§ 7-8), it shall be the policy of the Town to limit the term of a bond issued to finance a project that yields a special benefit or advantage to property owners within a limited and determinable area, and whose costs will be recovered through the assessment of a betterment pursuant to Massachusetts General Laws (M.G.L. c. 80, § 13), to 15 years or less.

PROCEDURES.

It shall be the responsibility of Treasurer to:

- Work with bond counsel to draft motions for review by the Town Administrator and the Selectboard for transmittal to town meeting for approval of debt authorizations.

- Work with the Town Administrator to project the cash flow needs of individual projects and schedule bond and or BAN sales accordingly.

- Coordinate the compilation of information from town departments and, where applicable, regional school districts for transmittal to the Town's financial advisor for inclusion in the Official Statement.

- Identify town staff to participate in presentations to bond rating agencies, lead the presentation, and coordinate timely responses to any questions raised by a rating agency.

- Work with bond counsel and the Town's financial advisor to draft motions required to be voted by the Selectboard at the time of the award for the sale of bonds.

- For capital projects authorized to be funded through the issuance of debt, in order to avoid arbitrage penalties, ensure that the amount borrowed at any given time for individual bond authorizations can be expended on a schedule that complies with Internal Revenue Service requirements.

- To ensure that bond proceeds are segregated, and ensure that they are expended for the purpose for which they were borrowed.

- To ensure that the investment of bond proceeds complies with limitations imposed by the Internal Revenue Service.

- In consultation with the Town's financial advisor, ensure that all debt-related filings with the federal government (the Internal Revenue Service and the Municipal Securities Rulemaking Board) and the Massachusetts Department of Revenue be done timely.

REFERENCES

M.G.L. c. 41, § 59
M.G.L. c. 44, § 4
M.G.L. c. 44, § 6A
M.G.L. c. 44, § 8
M.G.L. c. 44, § 19
M.G.L. c. 44, § 20A
M.G.L. c. 59, § 21C (f)
M.G.L. c. 59, § 21C (j)
26 USC § 148
M.G.L. c. 41, § 61
M.G.L. c. 44, § 6
M.G.L. c. 44, § 7
M.G.L. c. 44, § 17
M.G.L. c. 44, § 20
M.G.L. c. 44, § 21A
M.G.L. c. 59, § 21C (i1/2)
M.G.L. c. 80, § 13

Massachusetts Department of Revenue, Division of Local Services - DLS Best Practice: Understanding Municipal Debt

Massachusetts Department of Revenue, Division of Local Services - DLS Borrowing Guidelines: Asset Useful Life - Borrowing Limits

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

Government Finance Officers Association Best Practice: Refunding Municipal Bonds

Internal Revenue Service Guidance: Arbitrage Guidance for Tax-Exempt Bonds

ADOPTED BY: MONTAGUE SELECTBOARD

DATE ADOPTED: NOVEMBER 1, 2021

A-4 Enterprise Fund

PURPOSE

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

The purpose of this policy is to establish principles that govern the accounting and financing of operations that deliver these kinds of services. The Town of Montague operates two enterprise funds, for its Water Pollution Control Facility (WPCF) and the Turners Falls Municipal Airport (Airport).

APPLICABILITY

This policy is applicable to the Town Administrator, WPCF Superintendent, and Airport Manager for estimating annual enterprise fund revenue and recommending annual user charges; the Finance Committee with responsibility for recommending annual enterprise fund budgets; the Selectboard acting as Sewer Commissioners with responsibility for setting WPCF user charges; the Airport Commission for setting aviation-related fee schedules; and the Capital Improvements Committee, which bears responsibility for recommending enterprise fund capital projects to the Finance Committee and Selectboard.

DEFINTIONS

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

Enterprise Fund: Pursuant to Massachusetts General Law (M.G.L. c. 44, § 53F½), municipalities can establish enterprise funds by vote of Town Meeting to account for a utility, cable television public access, health care, recreational or transportation facility whose services are delivered on a business-type basis, Under enterprise accounting, the service's revenues and expenditures are segregated into a separate fund with its own financial statements, separate from all other governmental activities.

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

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

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

Retained Earnings - any operating surplus (actual revenues in excess of estimates and appropriations in excess of expenses) is retained in the enterprise fund rather than closed to the General Fund at fiscal year-end. Surplus of an enterprise certified by the Massachusetts Department of Revenue, Division of Local Services as available is called "retained earnings". Use of retained earnings requires appropriation by Town Meeting.

POLICY

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

- For any service eligible for treatment as an Enterprise Fund under MGL Chapter 44 Section 53F1/2, the Town shall consider establishing an Enterprise Fund in order to effect the following:

    - To clearly identify the total cost of delivering a specified service – direct, indirect and capital - and the source(s) of funding of the service.
    - To make readily accessible important financial and management information for rate setting purposes and financial reporting.
    - To provide a mechanism for the segregation of any surplus at fiscal year-end that is generated by the specified operation and to reserve that surplus for future use in support of the operation, subject to appropriation by Town Meeting.

- The annual budget of any enterprise shall be included in the annual recommended budget when it goes to Town Meeting.

- Capital requests of any enterprise for the ensuing fiscal year and future years shall be included in the Capital Improvement Committee's recommended annual Capital Improvement Plan as described in the Town's Capital Planning policy.

- User charges shall be set at a level to cover projected costs, direct and indirect and capital-related.

- The enterprise's share of the Town's annual cost of financing its Other Post-Employment Benefits (OPEB) liability shall be included in the total costs to be financed by user charges as described in the Town's Other Post-Employment Benefits policy.

- WPCF user charges shall be reviewed annually and presented to the Selectboard by the Town Administrator or his/her designee for review no later than October 15. If rate changes are recommended, the Selectboard, pursuant to its fee-setting duties, shall act on such recommendations. If new rates are approved they shall take effect upon adoption, retroactive to the start of the fiscal year.

- Airport user charges shall be reviewed each June and presented to the Airport Commission by the Airport Manager for review. If rate changes are recommended, the Airport Commission, pursuant to its fee-setting duties, shall act on such recommendations. If new rates are approved they shall take effect on July 1st. Note that airport hangar lease and access fees will be adjusted

no less frequently than every fifth year, with rates tied to the change in the Consumer Price Index growth for the surrounding area. FY2020 may be considered the base year for the five-year calendar.

- A reserve of retained earnings shall be maintained at a level described in the Town's Financial Reserves policy, including an amount to cover emergency circumstances.

- Mid-year adjustments of rates will be sought only under extraordinary circumstances in response to emergencies that cannot be accommodated through an appropriation of available retained earnings.

PROCEDURES

Determination of Indirect Costs – Indirect costs of an enterprise shall be updated annually and assessed to the enterprise in service to two purposes:

- As part of the budget process, to identify the amount of enterprise fund revenue proposed to be transferred to the General Fund to finance those costs to be incurred by the General Fund in support of the operations of the enterprise.

- To include as a component of total annual cost of the enterprise – in addition to direct and capital costs – for the purpose of determining rates that will result in the enterprise being self-supporting; that is total estimated revenue equal to total costs.

Indirect costs (those costs borne by the General Fund in support of an enterprise) shall include but not be limited to a portion of the salaries and expenses of the following as determined by the Town Accountant:

- Town Accountant
- Treasurer/Collector
- Audit (Contracted Service)
- Information Technology (IT)
- Selectboard
- Town Administrator

Note that the following are not included as indirect costs because Town Meeting appropriates them as direct costs of enterprise budgets.

- Benefits for active and retired employees, including insurances, Medicare tax, unemployment, and workers' compensation
- Pension costs – the Town's share of its annual pension assessment attributable to employees of the enterprise
- Vehicle insurance

- Property and liability insurance covering buildings, equipment and operations of the enterprise
- Legal services
- Debt service

The Town Administrator or his/her designee shall develop in writing methodologies for identifying any recommended changes relative to attribution of indirect costs.

REFERENCES

M.G.L. c. 44, § 53F½

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

Town of Montague – Annual Budget Process policy

Town of Montague – Financial Reserves policy

Town of Montague – Capital Planning policy

Town of Montague – Other Post-Employment Benefits policy

ADOPTED BY: MONTAGUE SELECTBOARD

DATE ADOPTED: NOVEMBER 1, 2021

A-5 Financial Reserves

PURPOSE

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

- As a source of funding for selected planned future capital expenditures to reduce the need to issue debt thus avoiding interest and borrowing costs.

- As a source of funding for significant and extraordinary unforeseen expenditures.

- As a source of funding to substitute for lost revenue during a time of economic downturn thus preventing, or minimizing, cuts to municipal and educational services.

- As evidence to credit rating agencies of a municipality's strong financial management, in that the maintenance of significant reserves indicate a commitment to comprehensive long-term planning, a positive factor in credit rating determinations.

APPLICABILITY

This policy pertains to short and long-range budget decision-making and applies to the Finance Committee, Capital Improvement Committee, Selectboard and Town Administrator ~~in that capacity~~ and is intended to be advisory to Town Meeting.

DEFINITIONS

Colle Undesignated Fund Balance: Due to the requirements of the Federal Grants used to renovate the Colle Opera House, its activities are accounted for in a separate Receipts Reserved for Appropriation special revenue fund. As revenues exceed expenditures, the annual surplus flows into the Undesignated Fund Balance, where it is available for appropriation for additional, generally capital, expenses to maintain the building.

Enterprise Fund: Pursuant to Massachusetts General Law (M.G.L. c. 44, § 53F½), municipalities can establish enterprise funds by vote of Town Meeting to account for a utility, cable television public access, health care, recreational or transportation facility whose services are delivered on a business-type basis. Under enterprise accounting, the service's revenues and expenditures are segregated into a separate fund with its own financial statements, separate from all other governmental activities.

Finance Committee Reserve Fund: Pursuant to Massachusetts General Law (M.G.L. c. 40, § 5A), To provide for extraordinary or unforeseen expenditures in each fiscal year, a town may - at an annual or special town meeting - appropriate or transfer a sum or sums not exceeding in the aggregate five percent of the levy of the fiscal year preceding the fiscal year for which the fund is established. No direct drafts against this fund shall be made, but the Finance Committee may vote transfers from the fund. At the end of each fiscal year, any unused amount of the Reserve Fund is closed to the surplus of the general fund.

Free Cash: Represents the surplus of the general fund operating budget at the close of a fiscal year resulting from revenues realized in excess of estimates and expenditures less than appropriations plus unused free cash resulting from the prior fiscal year. The amount of free cash must be certified by the Massachusetts Department of Revenue before it is available for appropriation by Town Meeting. Unpaid property taxes and certain deficits reduce the amount of remaining funds that can be certified as free cash.

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

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

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

Prior Year General Operating Revenue (PYGOR): A calculation used in the annual budget process for a variety of purposes in developing the proposed General Fund operating budget for the upcoming fiscal year. It is a function of General Fund revenues of the prior fiscal year and defined as follows:

- Property tax of the prior fiscal year as billed (Page 1, Item Id. - Tax Rate Recapitulation Sheet of the prior fiscal year) less:
    - Excluded Debt (Form DE-1 - Tax Rate Recapitulation Sheet of the prior fiscal year)
    - Allowance for Abatements and Exemptions (Page 2, Item II.d - Tax Rate Recapitulation Sheet of the prior fiscal year)

  Plus

- Total Prior Year actual General Fund revenue less:

    - prior year property tax revenue collected (real and personal property taxes and revenue from tax liens and tax possessions)
    - local receipts deemed non-recurring or designated for a particular purpose

Retained Earnings - any operating surplus (actual revenues in excess of estimates and appropriations in excess of expenses) is retained in the enterprise fund rather than closed to the General Fund at fiscal year-end. Surplus of an enterprise certified by the Massachusetts Department of Revenue, Division of Local Services as available is called “retained earnings”. Use of retained earnings requires appropriation by Town Meeting.

Stabilization Funds: Pursuant to Massachusetts General Law (M.G.L. c. 40, § 5B), a municipality, through a vote of Town Meeting, may establish one or more stabilization funds and designate the purpose for which each fund is established. The creation of a stabilization fund requires a majority vote of Town Meeting. Appropriation of funds into a stabilization fund is by majority vote but appropriation of funds out of a stabilization fund requires a two-thirds vote of town meeting. Any interest that is earned from the investment of stabilization fund monies accrues to the stabilization fund. There is no limit on the cumulative balance of all stabilization funds in a municipality.

POLICY

The following table summarizes elements of the policies and procedures that follow.

Reserve Funds and Target Thresholds			
Name of Fund	**Purpose**	**Funding Target**	**Primary Source of Funding**
General Town Reserves			
Cannabis Impact Fee Stabilization Fund	to finance the mitigation of impacts resulting from the operation of licensed cannabis establishments	No target per se; fund serves as repository for impact fees collected.	Cannabis Impact Fees, **which are negotiated as part of each business's host community agreement.**
FCTS Stabilization Fund	to mitigate the impact on town's operating budget from spikes in the Town's share of operating and/or capital costs generated by the FCTS	defined by ongoing estimates of projected enrollment as a primary driver of operating costs	Taxation
Finance Committee Reserve Fund	to fund extraordinary or unforeseen expenses	TBD Annually	Estimated General Fund Revenue
Free Cash	to fund emergency expenses, non-recurring operating expenses, or capital expenses	3% of PYGOR	Surplus from General Fund operations at each financial year-end
General Stabilization Fund	to cover projected revenue shortfalls due to economic downturn as a means to maintain services	5% of PYGOR	0.3% of PYGOR from the tax levy if funding is below target plus other sources, e.g., free cash, overlay surplus, and one-time revenues, if available to accelerate progress towards funding target.
Name of Fund	**Purpose**	**Funding Target**	**Primary Source of Funding**

General Town Reserves			
GMRSD Stabilization Fund	to mitigate the impact on town's operating budget from spikes in the Town's share of capital and/or costs generated by the GMRSD	the fund is supported by a portion of the Town's Kearsarge lease revenue	Kearsarge lease payments
Overlay Surplus	acts as an additional funding source for appropriation when there is a balance in the account	none	balances of Overlay for Abatements and Exemptions when amounts are no longer needed for the intended purpose.
Town Capital Improvement Stabilization Fund	to finance future capital costs on a pay-as-you-go basis or to underwrite debt service for capital projects	function of spending targets reflected in capital plan	0.2% of estimated annual GF revenue net of revenues targeted for specific purposes plus revenue from cannabis retail sales
Enterprise Funds			
Airport Retained Earnings	to serve as working capital, fund emergency expenses, non-recurring operating expense, or capital	5% of PYEFR	Airport revenues
Airport Capital Stabilization Fund	to finance future capital costs on a pay-as-you-go basis or to underwrite debt service for capital projects	function of spending targets reflected in capital plan	Airport revenues
WPCF Capital Stabilization Fund	to finance future capital costs on a pay-as-you-go basis or to underwrite debt service for capital projects	function of spending targets reflected in capital plan	Sewer **revenues**

Name of Fund	Purpose	Funding Target	Primary Source of Funding
Enterprise Funds			
WPCF Retained Earnings	to serve as working capital, fund emergency expenses, non-recurring operating expense, or capital	5% of PYEFR	**Sewer revenues**
Other Reserves			
Colle Undesignated Fund Balance	to finance capital maintenance of the Colle Opera House	function of spending targets reflected in capital plan	Colle rental fees
Sale of Real Estate	Can be used for any purpose for which the town can borrow for 5+ years.	none	Proceeds from sale of town owned real estate (excluding sale of tax possessions)

It shall be the general policy of the Town to:

- Maintain reserves to provide the capacity to respond to the costs of unanticipated and extraordinary events, significant reductions in annual revenue streams due to economic disruption, and to provide a source of available funds for future capital expenditures.

- Maintain and manage multiple types of reserves, including stabilization funds, free cash, retained earnings, and overlay surplus.

- Maintain overall General Fund reserves including the Town's combined stabilization funds (General, Capital, GMRSD, FCTS and Cannabis Impact Fee) and free cash between 5% and 10% of the Town's Prior Year General Operating Revenue.

The following policies shall govern the administration of the following reserves.

- **Finance Committee Reserve Fund** - Annually, the annual operating budget recommendation shall include an appropriation into the Finance Committee Reserve Fund. Every year, the Finance Committee shall review the history of Finance Committee transfers to determine if the annual appropriation into the Finance Committee Reserve is adequate.

- **Free Cash** - In the development of the proposed annual general fund operating budget, the Town shall strive to estimate revenue and recommend appropriations at a level that will generate free cash at fiscal year-end equal to approximately 3% of the Town's Prior Year General Operating Revenue. As a general rule, the use of free cash equal to the 3% threshold will be limited to non-recurring operating or capital budget expenditures and extraordinary or

unforeseen costs that cannot be financed from the Finance Committee Reserve Fund or through transfers between line items in the operating budget.

It shall be the policy of the Town to avoid the use of free cash to support the operating budget, except under extraordinary or unusual circumstances. Further, to the extent practicable, any amounts of free cash certified in excess of 3% of the Town's Prior Year General Operating Revenue shall be appropriated to one or more of the Town's stabilization funds and/or to offset unfunded liabilities, e.g. other post-employment benefits (OPEB).

- **General Stabilization Fund** - The Town shall maintain a general stabilization fund whose primary purpose is to replace declines in general fund revenue due to economic downturn. The target level of the fund shall be 5% of the Prior Year's General Fund Operating Revenue, an amount estimated to support the operating budget through three years of economic downturn. The Town shall strive to annually appropriate to the general stabilization fund 35% of certified free cash in excess of 3% of the Prior Year's General Fund Operating Revenue (see above) until the target minimum balance is met.

  Once the target level of the fund is reached, if any use of the fund reduces the balance below the target level, a plan for replenishment of the Fund shall be developed per the procedure described below.

  In fiscal years when no appropriation into the General Stabilization Fund is required because it is at its target, funding sources historically targeted for this purpose but not needed will be re-directed to funding of the Town's OPEB liability.

- **Special Purpose Stabilization Fund(s)** – The Town shall maintain one or more specialized Stabilization Funds to finance future needs. Sources of appropriations into special purpose stabilization funds shall include some combination of taxation, available funds (including but not limited to free cash and overlay surplus), and other term-limited or potentially inconsistent revenue sources. Such Stabilization Funds shall include but not be limited to the following.

  - Capital Stabilization Fund(s) - to finance selected future capital needs as identified through the Town's annual capital planning process on a pay-as-you-go basis or to subsidize debt service of large capital projects, (e.g., municipal or school construction) to mitigate the impact on taxpayers. Use of a Capital Stabilization Fund(s) to finance projects on a pay-as-you-go basis can serve to preserve the Town's debt capacity for major capital projects.

    The Town will strive to appropriate 0.2% of the Town's Prior Year's General Fund Operating Revenue into a Capital Stabilization fund(s) annually.

  - Non-Capital Stabilization Funds:

- Cannabis Impact Fee Stabilization Fund – to finance the mitigation of impacts resulting from the operation of licensed cannabis establishments
- GMRSD Stabilization Fund – to mitigate the impact on the Town's operating budget from spikes in the Town's share of capital and/or costs generated by the GMRSD.
- Franklin County Technical School (FCTS) Stabilization Fund – to mitigate the impact on the Town's operating budget from spikes in the Town's share of operating and/or capital costs generated by the FCTS

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

- **Retained Earnings** - In the development of the proposed annual budget for its Enterprise Funds, the Town shall strive to estimate revenue and recommend appropriations at a level that will generate retained earnings at fiscal year-end equal to approximately 5% of the operating budget. The rationale for this level of retained earnings is as follows:

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

In addition, the Town shall consider - consistent with guidance from the Department of Revenue (DLS Departmental Procedure Manual: Enterprise Funds) - adding to Enterprise Fund budgets a line-item ('budget surplus") whose unexpended balance at fiscal year-end would accrue to retained earnings and be available to finance selected future capital needs as identified through the Town's annual capital planning process. These amounts could accumulate as unappropriated retained earnings until a capital or other need arises or could be appropriated annually into a Special Purpose Stabilization Fund created to fund capital projects.

PROCEDURES

The following procedures are adopted pursuant to this policy.

- **Finance Committee Reserve Fund** - requests of the Finance Committee for Reserve Fund transfers shall be based on requests from department heads submitted to the Town Accountant for initial review, who will then bring those requests to the Finance Committee for review and approval, with input from the Town Accountant and Town Administrator.

- **General Stabilization Fund** - Pursuant to the policy governing the General Stabilization Fund, if use of the Fund results in a balance that falls below the target of 5% of the Prior Year's General Fund Operating Revenue, the Town Administrator, in consultation with the Selectboard shall develop a plan for transmittal to and consideration by the Finance Committee to bring the balance of the Fund back to its target level.

- **Overlay Surplus** - Pursuant to the policy governing the use of overlay surplus, the Selectboard shall periodically request that the Board of Assessors conduct an analysis of the overlay to determine the amount, if any, that can be declared overlay surplus. The analysis shall consider the following:

    - Current cumulative balance in the overlay accounts of all fiscal years after reconciling with the Town Accountant's records

    - Balance of property tax receivables, which represents the total real and personal property taxes still outstanding for all levy years

    - Estimated amount of potential abatements, including any cases subject to State Appellate Tax Board hearings or other litigation

  Upon determining any excess in the overlay account, the Board of Assessors shall present the analysis to the Selectboard for its review. If the Selectboard determines that the excess is needed to support proposed spending, it shall, pursuant to Massachusetts General Laws (M.G.L. c. 59, § 25), formally request that the Board of Assessors convene to consider a vote to transfer overlay to overlay surplus within 10 days of such request. Notification of that vote shall be made to the Selectboard, Town Administrator, Town Accountant, and Finance Committee.

- **Appropriations from Reserves** - The overall level of financial reserves is critical to maintaining the Town's bond rating and ensuring sufficient funds to manage unanticipated needs. Funds shall be recommended for appropriation from reserves only after an initial review, by the Town Administrator and/or Town Accountant, and their presentation to the Selectboard and Finance Committee. Consideration of the use of reserves shall include an assessment of whether the balance of relevant reserve accounts after their proposed use are adequate to offset potential downturns in revenue sources and provide sufficient cash balance for daily financial needs.

REFERENCES

M.G.L. c. 40, § 6

M.G.L. c. 40, § 5A

M.G.L. c. 40, § 5B

M.G.L. c. 59, § 25

M.G.L. c. 44, § 53F½

DLS Best Practices: Free Cash and Special Purpose Stabilization Funds

DLS Departmental Procedure Manual: Enterprise Funds

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

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

ADOPTED BY: MONTAGUE SELECTBOARD

DATE ADOPTED: NOVEMBER 28, 2022

A-6 Investments

PURPOSE

The purpose of this policy is to establish guidelines to govern the investment of town funds by the Treasurer/Collector. It pertains to the investment of revenue of a variety of funds (e.g., General, Enterprise, Revolving, Special Revenue, and Agency), as well as trust funds including but not limited to Stabilization Funds and the Other Post-Employment benefits (OPEB) Liability Trust Fund. It does not pertain to investment of pension funds for Montague employees, which is invested and managed by the Montague Retirement Board.

APPLICABILITY

This policy applies to the Treasurer/Collector regarding his/her duties to invest and manage Town funds and to the Town Accountant regarding his/her role accounting for investment activities.

DEFINITIONS

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

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

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

Yield – the interest rate on an investment

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

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

POLICY

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

- That the Treasurer/Collector shall have the authority and responsibility to invest all Town funds subject to the requirements of all federal and state law and regulations governing the investment of municipal funds, including arbitrage restrictions on the investment of bond proceeds.

- That the Treasurer/Collector will invest funds in a manner that meets the Town's daily operating cash flow requirements.

- That the Treasurer/Collector shall seek the highest possible return on investment taking into consideration the following in the priority order shown when investing town funds:
    - Safety
    - Liquidity
    - Yield
- That the Treasurer/Collector may invest in the following instruments:
    - The MMDT
    - U.S. Treasury and Agency obligations up to one-year maturity from the date of purchase
    - Bank accounts and certificates of deposit up to one year fully ensured by the FDIC and in some cases also Depository Insurance Fund of Massachusetts (DFIM)
    - Unsecured bank deposits such as checking, savings and money market accounts and certificates of deposits (with maturities not greater than 3 months) not covered in the categories above, with the amount invested limited to no more than 5 percent of an institution's assets and no more than 10 percent of a municipality's cash. The credit worthiness of the institution shall be tracked by a credit worthiness reporting system such as Veribanc or Sheshunoff.
    - Repurchase agreements
- That the Treasurer/Collector shall seek to diversify the Town's investments in terms of maturity as well as instrument type and issuer. Diversification should include prohibition against the over-concentration of maturities and investments in a single institution. With the exception of U.S, Treasury obligations or investments fully collateralized by U.S. Treasuries or agencies, and state pools (e.g., the MMDT), no more than 10 percent of the Town's investments shall be invested in a single financial institution
- That the Town set performance expectations that the Treasurer/Collector, and any assistant Treasurer, act in strict adherence with the state conflict of interest law.
- To make overall investment decisions in accordance with "prudent person" standards under MGL c. 203C or as otherwise allowed by state law.

PROCEDURES

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

- Upon receipt of statements of interest earned, post to the Treasurer's cash book and transmit earnings information to the Town Accountant for posting to the general ledger.

- For any Brokerage houses and brokerage dealers wishing to do business with the Town, the Treasurer/Collector will require submittal of the following information for review:

    - Audited financial statements

    - Proof of National Association of Security Dealers certification

    - A statement from that the dealer has read the Town's investment policy and will comply with it

    - Proof of credit worthiness (minimum standards at least 5 years in operation and minimum capital of 10 million dollars)

- No later than 30 days after fiscal year-end, the Treasurer/Collector will prepare a report for transmittal to the Town Accountant to include the following:

    - A listing of the individual accounts and individual securities held as of June 30

    - A listing of the short-term investments portfolio by security type and maturity to demonstrate compliance with the diversification and maturity guidelines of this policy

    - A summary of income earned on a monthly basis and at fiscal year-end

REFERENCES

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

Office of the Commissioner of Banks: List of Legal Investments

Governmental Accounting Standards Board Statement 40: Deposit and Investment Risk Disclosures

Massachusetts Collectors' and Treasurers' Association - Investment Policy Statements

ADOPTED BY: MONTAGUE SELECTBOARD

DATE ADOPTED: NOVEMBER 1, 2021

A-7 Other Post-Employment Benefits (OPEB)

PURPOSE

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

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

APPLICABILITY

This policy encompasses OPEB-related budget decisions, accounting, financial reporting, and investment and applies to the:

a) Finance Committee in its role to recommend the proposed annual budget;
b) Selectboard in its role as participant in the annual budget development process;
c) Treasurer, pursuant to M.G.L. c. 32B, § 20, as custodian of the "OPEB Liability Trust Fund"; and,
d) Town Administrator and Town Accountant with responsibility for OPEB-related activities.

DEFINITIONS

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

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

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

The Town of Montague created this trust fund under Article 16 of the October 1, 2015 Special Town Meeting. On June 27, 2016, the Selectboard voted to recommend investing the assets of the Trust Fund in the State Retiree Benefit Trust Fund, and the Treasurer signed an agreement with the Commonwealth to this end.

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

Governmental accounting regulations prevent commingling these assets with traditional retirement investment funds, but the SRBTF allows for these eligible state and municipal entities a "turn-key" option to set aside money to be invested through the Pension Reserves Investment Management Board (PRIM).

POLICY

It shall be the policy of the Town as follows:

- The Town is committed to a disciplined and methodical annual funding of the long-term cost of OPEB due its current and future retirees.

- The Town will engage the services of an actuary every year to perform an updated actuarial valuation of its OPEB liability as a source of information for decision makers about progress toward funding of the liability and to comply with reporting requirements promulgated by GASB.

- The Town will periodically assess strategies to mitigate its OPEB liability by evaluating the structure of benefits offered and their cost drivers while at the same time avoiding benefit reductions that would place undue burdens on employees or risk making the Town an uncompetitive employer.

PROCEDURES

A. Accounting for and Reporting the OPEB Liability

Every year, the Town Accountant shall engage the services of an actuary to conduct a valuation or interim update of the Town's OPEB liability to be transmitted to the Town's independent auditor for integration into the Town's annual financial statements in compliance with guidelines of the Governmental Accounting Standards Board.

Upon completion of an actuarial valuation, the Town Accountant shall transmit the document to the Town Administrator, which in turn shall be transmitted to the Selectboard and Finance Committee for their information and consideration.

B. Trust Management and Investment

Appropriations by Town Meeting into the Town's OPEB Trust Fund, shall be invested by the Treasurer through the State Retire Benefits Trust Fund administered by the Massachusetts Pension Reserves Investment Management Board (PRIM), unless and until, the Treasurer, as Trustee of the Fund, selects an alternative approach to investment as permitted by M.G.L. c. 32B, § 20. Any change in approach to investment shall be made only after consultation with the Town Administrator, Selectboard and Finance Committee.

C. Mitigation

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

The Town Accountant will regularly audit the insurance bills from the Hampshire County Insurance Trust and request removal of any Town of Montague subscribers deemed ineligible based on work hours, active Medicare status, or other factors.

D. OPEB Funding Strategies

To address the Town's OPEB liability, the Town Administrator and Town Accountant shall annually recommend a funding schedule to the Selectboard and Finance Committee based on the most recent actuarial valuation, and review that schedule every year following the issuance of an updated actuarial valuation.

Potential sources of funding for the annual appropriation to the OPEB Liability Trust Fund may include, but not be limited to general fund revenue, free cash, and overlay surplus. In addition, the Finance Committee's recommended enterprise fund budget(s) shall include a line item to fund all or part of the enterprise operations' annual share of the Town's OPEB liability, to be funded through user charges.

To move toward full funding of the actuarially derived Annual Required Contribution to the OPEB Trust Fund, the Finance Committee, with assistance from the Town Administrator and Town Accountant, shall periodically evaluate the potential of the following:

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

REFERENCES

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

Town of Montague Investment Policy

Town of Montague Financial Reserves Policy

GASB Statements 75: Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions and 74: Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

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

October 1, 2015 Special Town Meeting vote (Article 16) creating the Town's OPEB Liability Trust Fund

ADOPTED BY: MONTAGUE SELECTBOARD

DATE ADOPTED: NOVEMBER 1, 2021

A-8 Enforcement of Property Tax Collections

PURPOSE

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

The property tax levy comprises the majority of annual revenues, approximately 86%, that support the Town's operating budget. On average, the Town collects approximately 96% of the amount billed by June 30 of the year in which it is levied. As a matter of fairness to those who pay their taxes timely, the Town should pursue all legal remedies available to it in order to ultimately collect from those taxpayers who are delinquent.

APPLICABILITY

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

DEFINITIONS

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

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

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

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

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

POLICY

It shall be the policy of the Town regarding collections of property taxes as follows:

- to pursue all legal remedies available to it under state law and town by-law

- to maximize the payment of taxes by the end of the fiscal year in which the taxes were levied;
- to expedite the payment of those accounts that are delinquent beyond the end of the fiscal year in which the taxes were levied; and,

- for those accounts that continue to be delinquent, to secure the right of the Town to ultimately collect taxes outstanding.

Further, it shall be the policy of the Town that among these remedies will be the withholding, suspension or revocation of licenses and permits of delinquent taxpayers per Town By-Law adopted pursuant to the authority granted under (M.G.L . c. 40, §57).

PROCEDURES

Taxes Due

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

Demands

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

The Treasurer/Collector shall, as a matter of law, allow a minimum of fourteen (14) days for payment before pursuing additional enforcement remedies for unpaid real property taxes, i.e., a tax taking, provided for by statute. (Per Massachusetts General Laws, issuance of a demand is a prerequisite to a valid tax taking.)

Tax Taking

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

Pursuant to M.G.L. c. 60, § 37, a municipality has 3 1/2 years from the end of the fiscal year for which the taxes were assessed to "secure", or "perfect", the tax liens. It shall be the policy of the Town to initiate tax takings no later than 3 years from the end of the fiscal year for which such taxes were assessed.

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

avoid such taking. The letter shall be issued by the Treasurer/Collector approximately one month prior to the initiation of the tax taking.

Further, in addition to the courtesy enforcement letter issued one month prior to the initiation of a tax taking, in each fiscal year following the end of the fiscal year for taxes were assessed and in which a tax taking is not initiated, a courtesy letter shall be sent to each delinquent taxpayer reminding the taxpayer that taxes are delinquent, requesting payment of delinquent taxes, and stating that:

- Per state statute, delinquent taxes are accruing penalty interest at the rate of 14% per annum
- That the property is subject to a tax taking at which time, per state statute, penalty interest on delinquent taxes will increase to 16% per annum

If the courtesy enforcement letter issued one month prior to a proposed tax taking does not result in full remittance of amounts due, the Treasurer/Collector shall, pursuant to M.G.L. c. 60, § 53, publish a Notice of Tax Taking in the local newspaper and post the notice in two or more convenient, public places.

No earlier than 14 days after the publication of the Notice of Tax Taking but no more than 60 days after the publication, the Treasurer/Collector shall prepare an Instrument of Taking form for each delinquent property and record it at the Registry of Deeds, the recording of which "perfects" the tax lien.

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

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

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

<u>Personal Property</u>

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

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

- By bringing a civil action against the assessed owner. G.L. c. 60, § 35. Actions to collect personal property taxes may be brought in the small claims session of district court. G.L. c. 218, § 21.

- By withholding any money owed by the municipality to the taxpayer and set it off against the obligations of the taxpayer under G.L. c. 60, § 93.

The Treasurer/Collector shall periodically review delinquent accounts with the Director of Assessing to determine if the taxes are uncollectible because the taxpayer is dead, absent, bankrupt, insolvent or otherwise unable to pay. If it is determined that such is the case, the collector shall notify the Board of Assessors in writing that the delinquent taxes are uncollectible. Within 30 days of such notification the Board of Assessors must review the request and certify to the Treasurer/Collector its agreement with the Collector's recommendation and notify the Treasurer/Collector and the Town Accountant accordingly.

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

In any case, if an account remains delinquent following the end of five fiscal years after the tax is levied, it shall be discussed by the Director of Assessing and the Tax Collector to review the status of collectability.

Subsequent Taxes

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

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

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

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

If a real or personal property tax remains unpaid by the end of the fiscal year following the year of levy, the Collector shall notify each department, board, commission or division of the municipality that issues

licenses and permits of the delinquent party, and such notification shall, pursuant to M.G.L. c. 40, § 57 and in accordance with Town By-Laws, serve as the basis for the denial, revocation or suspension of any license or permit.

Tax Title Payment Agreements

The Treasurer/Collector will pursue and establish payment agreements for parcels in tax title consistent with M.G.L. c. 60, § 62A to allow delinquent taxpayers to pay off their tax liens over time. The Treasurer/Collector will actively monitor compliance with all such agreements

Redemption or Foreclosure

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

From this list, the treasurer shall identify at least the 10 largest tax title accounts as potential candidates for foreclosure. Histories of the properties shall be compiled to determine their prior use and any potential liabilities that may arise from their histories. Upon completion of a review of the candidate properties, selected properties shall be referred to a tax title attorney to aggressively pursue foreclosure in Land Court.

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

If a taxpayer or other party pays the outstanding amount on a tax title property, the Treasurer will prepare an Instrument of Redemption and file it at the Registry of Deeds, which removes the lien. Redemption can only be done prior to the property being foreclosed. If the obligation remains unpaid, the tax title attorney will proceed with foreclosure action in Land Court, possibly resulting in auctioning of the property.

In addition to Land Court foreclosure referrals, the Treasurer/Collector is responsible for completing foreclosures on any properties below the "Land of Low Value" threshold, which is annually updated each spring by the Division of Local Services (DLS).

REFERENCES

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

Montague By-Laws - Article III, Section 14A**:** Denial or Revocation of License or Permit for Nonpayment of Local Taxes, Fees or Other Charges

Department of Revenue, Division of Local Services Best Practice: Enforcing Collections

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

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

ADOPTED BY: MONTAGUE SELECTBOARD

DATE ADOPTED: NOVEMBER 1, 2021

A-9 Tax Rate Setting

PURPOSE

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

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

APPLICABILITY

This policy applies to:

- The Town Administrator with support from the Town Accountant, Treasurer/Collector, and Director of Assessing
- The Selectboard given its responsibility to adopt a Residential Factor
- The Town Clerk given his/her responsibility to certify certain documents that must be submitted to the Massachusetts Department of Revenue to obtain approval of an annual tax rate

DEFINITIONS

Excess Levy Capacity – pursuant to Proposition 2 ½ (M.G.L. c. 59, §§ 21C-21D), that amount of the tax levy limit (see definition below) a municipality chooses to forego in a given fiscal year by approving a tax rate that will result in a tax levy that is less than the tax levy limit. Electing to set a tax levy in a fiscal year less than the levy limit does not preclude levying to the limit in subsequent fiscal years.

Operating budget - The recommended annual operating budget – inclusive of general fund operations, enterprise fund operations, and capital projects.

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

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

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

Tax Levy Limit – pursuant to Proposition 2 ½ (M.G.L. c. 59, §§ 21C - 21D), the maximum property tax levy that can billed in a given fiscal year (the levy limit) and is a function of the prior year's levy limit, an increase in that limit of 2 ½ percent, an increase attributable to new growth (a function of the value of new construction in the prior year), and increases attributable to levy limit overrides, debt exclusions and/or capital exclusions approved by town wide referenda.

POLICY

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

The target date of the Selectboard to adopt a Residential Factor shall be the 3rd Monday in October of each year but no later than November 30th.

The process of adoption of a Residential Factor shall, at a minimum, consist of two meetings by the Selectboard

- First meeting - a tax classification information session in which the Town Administrator or his/her designee(s) shall make a presentation that includes but is not limited to:

    - Property values by class and their change from the prior fiscal year
    - Each class of property as a percentage of total value and the change in percentages from the prior fiscal year
    - The tax levy limit for the fiscal year and the factors in its increase, and the change from the prior year
    - The proposed tax levy for the fiscal year and the amount, if any, of excess levy capacity that will result
    - Options for shifting the tax burden from residential/open space to commercial/industrial/personal
    - The projected tax bill for the home of average and median value and for commercial and industrial properties of average value based on selected tax rate options.

- Second meeting - tax classification hearing to allow for public comment and to vote a tax rate(s).

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

PROCEDURES

The following outlines the steps that need to be completed in the annual budget process to successfully culminate in the timely setting of the annual tax rate by the Selectboard, its approval by DOR and the timely issuance of tax bills.

Adoption of a balanced budget

Based on the recommendation from the Finance Committee of (1) the proposed operating budget - including estimates of revenue to create a balanced budget that will survive ultimate review by DOR - and (2) other proposed financial articles, the Selectboard shall approve them for transmittal to the annual town meeting.

The Selectboard, through the Town Administrator, Town Counsel and Bond Counsel, will develop the annual town meeting warrant and motions for approval of all financial articles by Town Meeting voters that meets all legal and procedural requirements.

If after the completion of the annual town meeting, circumstances require the convening of a special town meeting to make adjustments to the adopted budget – reductions in or supplements to appropriations – or appropriations for new special articles, such changes shall be presented by the Finance Committee to the Selectboard for review, approval and transmittal to Town Meeting; and the Selectboard, through the Town Administrator, Town Counsel and Bond Counsel, will develop the town special town meeting warrant and motions for approval of all financial articles by Town Meeting voters that meets all legal and procedural requirements.

Preparation of the Tax Rate Recapitulation Sheet

The Director of Assessing shall oversee and coordinate the completion of all Town worksheets that comprise the Tax Rate Recapitulation Sheet and their submittal to the DOR. Completion of all Town worksheets and submittal to the DOR should occur no later than the day following the adoption of a Residential Factor by the Selectboard.

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

Assessors -

- Complete the property sales report (Form LA-3) for all sales over $1,000 and submit it to DLS for approval by September 15 of each year.
- Analyze market conditions, set final property values in compliance with DLS certification standards and procure timely review and certification by DOR.
- Report the total assessed valuation for real and personal property by class (Form LA-4, which is transferred to page 1 of the tax recap) by September 1 of each year.
- Report fiscal year tax base growth used to determine the levy limit under Proposition 2½ (Form LA-13, which is transferred to the Levy Limit Worksheet).
- Update any prior-year omitted and revised assessments that included growth (Form LA-13A, which is transferred to the Levy Limit Worksheet) by September 1 of each year.
- Complete the Overlay Worksheet (OL-1).

Town Accountant –

From the town meeting authorizations certified by the Town Clerk and other information from the general ledger, complete the following worksheets as applicable:

- Tax Rate Recapitulation Sheet page 3 (Local Receipts Not Allocated) and page 4 (Certification of Appropriations and Sources of Funding)
- Enterprise Funds (Form A-2)
- Free cash used (Form B-1)
- Available funds used including any reserved bond premium amounts used as a funding source for capital articles (Form B-2)
- Debt Exclusion Report including any use of reserved bond premiums (Form DE-1)
- Report all prior year deficits incurred that must be funded and reported (page 2 of the Tax Rate Recapitulation Sheet)

REFERENCES

M.G.L. c. 40, § 56 M.G.L. c. 59, §§ 21C-21D

M.G.L. c. 59, § 23

Department of Revenue, Division of Local Services Training Publications:

- New Officials Financial Handbook
- Assessors Course 101 Handbook Chapter 5: Setting the Tax Rate
- Everything You Always Wanted to Know About Levy Limits…But Were Afraid to Ask: A Primer On Proposition 21⁄2

ADOPTED BY: MONTAGUE SELECTBOARD

DATE ADOPTED: NOVEMBER 1, 2021

A-10 Revenue and Expenditure Forecasting

PURPOSE

Annual budget proposals can have significant implications for subsequent fiscal years. Prudent financial management calls for an evaluation of the future impact of those proposals by decision-makers before they are recommended for a vote by Town Meeting. A tool for such an evaluation is a multi-year revenue and expenditure forecast.

It is important to emphasize that a forecast is not a proposed or recommended budget. It is a tool for planning, not budgeting. A forecast is intended to facilitate discussion among community "stakeholders" with the hope that it will result in the identification of issues that call for further discussion and analysis as each annual budget cycle unfolds.

The purpose of this policy is to describe the methodology for forecasting revenues and expenditures, the timing for completion of an annual forecast, and the identification of the parties to be involved in the process.

APPLICABILITY

This policy applies to the Finance Committee, the Selectboard, the Town Administrator, the Town Accountant, the Capital Improvement Committee, the Water Pollution Control Facility (WPCF) Superintendent, the Airport Manager, and Town Meeting.

DEFINITIONS

Available Funds **-** balances available for expenditure established through previous appropriations (e.g., stabilization funds or overlay surplus) or from a Fund's positive operating results at fiscal year-end (e.g. free cash or retained earnings).

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

Retained Earnings - any operating surplus (actual revenues in excess of estimates and appropriations in excess of expenses) is retained in the enterprise fund rather than closed to the General Fund at fiscal year-end. Surplus of an enterprise certified by the Massachusetts Department of Revenue, Division of Local Services as available is called "retained earnings". Use of retained earnings requires appropriation by town meeting.

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

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

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

Gill-Montague Regional School District (GMRSD) Affordable Assessment – as a matter of policy, per the agreement captured in the 2009 Compact for Funding Education endorsed by the Administration and School Committee of the Gill-Montague Regional School District, the Selectboards and Finance Committees of Gill and Montague, and reaffirmed by consensus of those boards in 2019, 48.5% estimated general fund revenues for the ensuing fiscal year shall be known as the Affordable Assessment and be allocated to support the recommended budget of the GMRSD.

For the purpose of calculating the Affordable Assessment, estimated general fund revenues for the ensuing fiscal year shall be exclusive of those revenues characterized as non-recurring and/or revenues targeted to support specific operating budget programs, e.g., veterans benefit reimbursements, solid waste fees, and Council on Aging reimbursements from the Town of Gill.

POLICY

The following principles shall guide town officials in the preparation of an annual, multi-year forecast of revenues and expenditures:

- The forecast shall be for 5 fiscal years, not including the base-year which shall be the current adopted budget.

- A separate forecast shall be developed for General Fund operations and each Enterprise Fund operation.

- The forecasting methodology shall be a maintenance budget approach; that is, the projected costs needed to maintain the "current level of services" reflected in the base-year budget and the revenues available to support projected maintenance budgets. The difference between projected revenues and expenditures, if positive, shall be characterized as the "available balance"; that is, the excess of projected revenues over projected expenditures, which can be used to fund service or program enhancements, future collective bargaining agreements, add to reserve balances, or finance capital on a pay-as-you-go basis.

- Revenues shall be projected conservatively as follows:

    - projections of the property tax shall be based on the growth of the levy limit pursuant to Proposition 2 ½; that is, growth in the prior years' levy limit of 2 1/2 % plus an increase attributable to new growth. Forecasts of new growth shall be based on a review of a 10-year history of growth by class with adjustments based on current information that calls for deviations from such averages.

    - projections of each category of local receipts shall generally be based on the history of actual collections and projections of 5-year historical averages with adjustments made based on current information that calls for deviations from such averages, e.g., newly adopted fees or charges, termination of a fee-based program, etc.

- projections of state aid shall be based on a 5-year historical average of actual receipts by Cherry Sheet program with adjustments made based on current information that calls for deviations from such averages.

- Projections of Available Funds shall be based on current balances in each Fund and an assessment of the reliability of their recurrence in each year of the forecast, and the advisability of their use to support operating budgets.

- Projections of increases in Enterprise Fund transfers to the General Fund to cover indirect costs shall be based on projected increases in the components that comprise indirect costs (see the Town's Enterprise Fund policy).

- Expenditure projections shall be based on increases driven by estimated inflationary pressures, current collective bargaining agreements, and escalators in other existing service contracts. The annual GMRSD Affordable Assessment shall be 48.5% of projected annual general fund revenues. Projections of expenditures not requiring appropriations (Other Amounts to be Raised), shall be based on a review of historical patterns of expenditures - an example being the Overlay account - and historical annual average increases for Cherry Sheet assessments.

PROCEDURES

The following procedures shall be followed in the development and presentation of the annual revenue and expenditure forecast:

- Revenue and expenditure forecasts by Fund shall be prepared annually by the Town Administrator and the Town Accountant and shall include narrative or annotations describing the assumptions driving the forecasts.

- The forecasts shall be presented by the Town Administrator and Town Accountant to a joint meeting of the Selectboard, Finance Committee, and Capital Improvement Committee at the beginning of the annual budget process on a date set by the Finance.

REFERENCES
M.G.L. c.59, §§ 21C-23

ADOPTED BY: MONTAGUE SELECTBOARD

DATE ADOPTED: NOVEMBER 1, 2021

A-11 Annual Audit

PURPOSE

The purpose of this policy is to recognize the value and importance of conducting an annual audit of the Town's finances by an external, independent certified public accountant (CPA).

An annual audit performed by an external, independent auditor serves multiple purposes.

- It provides an opinion that a municipality's year-end financial statements are complete, accurate and in conformance with rules established by the Governmental Accounting Standards Board (GASB)

- It provides an opportunity to review the internal controls of a municipality to ensure that operational procedures are in place to ensure the protection of public assets.

- It serves as a tool to foster taxpayer confidence in a municipality's management of its resources.

- It provides valuable information to credit rating agencies used in its determination of a municipality's credit rating. (The absence of an annual audit can have a negative effect on the rating assigned to a municipality resulting in higher interest costs over the life of bonds issued).

APPLICABILITY

This policy shall apply to the Selectboard in its role in establishing an audit committee and selecting its members, the Audit Committee and to the Town Administrator or his/her designee, in the administration of this policy.

DEFINITIONS

Governmental Accounting Standards Board (GASB) – The Governmental Accounting Standards Board (GASB) is the source of generally accepted accounting principles (GAAP) used by state and local governments in the United States. The GASB is subject to oversight by the Financial Accounting Foundation (FAF), which selects the members of the GASB and the Financial Accounting Standards Board. GASB's mission is to establish and improve standards of state and local governmental accounting and financial reporting that will result in useful information for users of financial reports and guide and educate the public, including issuers, auditors, and users of those financial reports.

Government Finance Officers Association (GFOA) - founded in 1906, it represents public finance officials throughout the United States and Canada. GFOA's mission is to advance excellence in public finance

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

Management Letter – a letter prepared by the auditor which discusses findings and recommendations for improvements in internal control that were identified during the audit and were not required to be included in the auditor's report on internal control, and other management issues.

POLICY

It shall be the policy of the Town that:

- An audit of the Town's finances shall be performed annually by a CPA.
- The CPA selected shall have no personal interests, direct or indirect, in the fiscal affairs of the Town of Montague or of any of its officers or employees.
- The annual audit shall conform to the requirements of GASB.
- Notwithstanding the exemption of auditing services from competitive procurement (pursuant to M.G.L. c. 30B, § 1(b)), in conformance with recommendation of the GFOA, every five years the Town shall conduct a competitive procurement of audit services with the intent of bringing a fresh perspective to the review of the Town's finances and financial operations.
- If the results of a competitive procurement result in the selection of the Town's existing auditor, the Town shall seek to have the firm assign a different audit manager to bring the fresh perspective that otherwise would have resulted from engaging a different firm.
- Each contract for the annual audit shall include a provision that a Management Letter be included as a companion to the presentation of financial statements and the auditor's opinion regarding the statements.
- November of each year be established as the target for completion of the annual audit.
- An audit committee be established by the Selectboard comprised of 5 members consisting of the Town Administrator, Town Accountant, Treasurer/Collector, a member of the Selectboard and a member of the Finance Committee to
    - oversee the competitive procurement of audit services
    - review the results of the annual audit and report to the Selectboard and the Finance Committee regarding the audit

PROCEDURES

The Town Administrator, or his/her designee, shall:

- manage the procurement of audit services
- recommend an auditor for engagement to the Audit Committee
- ensure that information required by the auditor from town departments and other relevant entities is transmitted timely

- transmit timely the completed annual audit and management letter to the Audit Committee

REFERENCES

M.G.L. c. 40, § 44I
Annual Audits, MA DOR Division of Local Services Best Practice.

ADOPTED BY: MONTAGUE SELECTBOARD

DATE ADOPTED: NOVEMBER 1, 2021

A-12 User Fees

PURPOSE

One source of revenue to finance the operations of municipalities in Massachusetts is the broad category of "local receipts". A subset of local receipts is user fees which encompasses excises and charges for services. The amount that can be charged for certain user fees, excises and charges for services is established by statute, e.g., motor vehicle excise, hunting licenses, and firearms permits. Other fees and charges are determined by each municipality, e.g., building permit fees, recreation fees, and sewer charges, to name a few.

The purpose of this policy is to guide the Town in making determinations of the amount to be set as a user fee for a particular service.

APPLICABLILITY – this policy shall apply to town boards and commissions with responsibility for setting user fees not fixed by statute and the Town Administrator with responsibility for overseeing the implementation of this policy.

DEFINITIONS

Direct costs –the costs to deliver a service that are funded by Town Meeting appropriations to a town department that delivers the service.

User Fees –Emerson College v. Boston, 391 Mass. 415 (1984) established that fees imposed by a municipality tend to fall into one of two categories: user fees, based on the rights of the municipality as proprietor of the instrumentalities used, or regulatory fees (including licensing and inspection fees), founded on the municipal power to regulate particular businesses or activities. Further, such fees are distinguishable from taxes in that: 1) they are charged in exchange for a particular governmental service which benefits the party paying the fee in a manner "not…shared by other members of society"; 2) they are paid by choice, in that the party paying the fee has the option of not utilizing the governmental service; and 3) the charges are collected not to raise revenues but to compensate the governmental entity providing the services for its expenses.

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

POLICY

It shall be the policy of the Town's Boards and Commissions with authority to set user fees to:

- identify those services that are candidates for the establishment of a user fee because they benefit a party in a manner not shared by the broader community.

- establish a user fee based on the total cost (or lesser amount) of delivering the service including direct costs and indirect costs

- identify factors to be considered in determining whether a user fee shall recover the full or pro-rated cost of delivering a service.

- review, at a minimum every three years - with the exception of sewer charges which shall be reviewed annually (see Enterprise Fund policy) - existing user fees to determine if they are capturing the total cost of delivering the service

- waive fees for programs, use of public facilities and use of public spaces based on formally adopted criteria for waiving such fees. Waivers shall be granted by the Board or Commission that adopted the fee, or by a Town employee (e.g., the Town Administrator in the case of fees established by the Selectboard, or a Department Head reporting to a Town Commission) granted authority by the Board or Commission to waive a fee pursuant to adopted criteria. In the case where authority is granted to a Town employee, that employee shall report monthly to its respective Board or Commission of individual fees waived in the prior month, the basis for the waiver and the amount waived.

PROCEDURES

It shall be the responsibility of the Town Administrator, or his/her designee, to:

- compile an inventory of all user fees charged by the Town including a reference to the authority for charging such a fee, the current fee, whether it recovers all or part of the total cost of the service, and the date it was last reviewed.

- provide technical assistance to all Boards and Commissions with fee setting responsibility in determining the total cost of delivering the services under their jurisdiction for which a fee is currently or is proposed to be charged.

- call for a periodic review of user fees to determine if they are capturing the total cost of the service being delivered.

REFERENCES

M.G.L. c. 40, § 22F (authority to fix reasonable fees for licenses, permits, or certificates issued pursuant to statutes or regulations)

M.G.L. c. 44, § 53G (employment of outside consultants)

M.G.L. c. 41, § 69B (water commissioners; powers and duties)

M.G.L. c. 45, § 14 (fee setting authority – recreation commissions)

M.G.L. c. 83, § 16 (charges for use of sewers)

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

Town of Montague – Enterprise Fund policy

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

DLS Guidance of User Fees. MA DOR Division of Local Services February 2016. DLS Guidance on User Fees.pdf

Best Practices: Establishing Government Charges and Fees. Government Finance Officers' Association. https://www.gfoa.org/materials/establishing-government-charges-and-fees

ADOPTED BY: MONTAGUE SELECTBOARD

DATE ADOPTED: NOVEMBER 1, 2021

B. FINANCIAL OPERATIONS POLICIES

B-1 Cash and Receivables Reconciliations

PURPOSE

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

DEFINITIONS

Accounts receivable – outstanding amounts owed to the Town resulting from the issuance of bills for property taxes, motor vehicle excise taxes and charges for services, i.e., utility bills

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

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

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

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

APPLICABILITY

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

POLICY

- No later than 30 days after the end of each month the following shall occur. A department responsible for the issuance of bills shall reconcile the sum of all receivable balances from the commitment with the accounts receivable control account. Any variance shall be researched

and resolved. Upon resolution, the department shall forward the receivables balance to the 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).

- No later than 5 days after receiving bank statements, the Treasurer/Collector shall reconcile the cashbook to the bank statements and reconcile any differences between the two. The Treasurer/Collector shall then transmit the reconciled balance to the 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).

PROCEDURE

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

- For any billing cycle, a department responsible for the issuance of bills establishes an accounts receivable control account equal to the total Commitment by tax or charge.

- Concurrent with the department's establishment of the accounts receivable control account, the Town Accountant posts the total commitment of tax or charge to an accounts receivable control account in the general ledger.

- Each subsequent collection, abatement/exemption, refund or transfer (e.g., to tax title in the case of property taxes), by parcel or account, is posted by the department to the commitment book and the department's accounts receivable control account with concurrent notification to the Town Accountant for posting to the accounts receivable control account in the general ledger.

- On a regular basis as described in the Town's Revenue Processing policy, all departments receiving payments, whether pursuant to the issuance of bills or for fees, transmit to the Treasurer such amounts collected under the cover of a <u>Schedule of Departmental Payments to Treasurer</u> (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 accounts.

- Pursuant to the Town's Revenue Processing policy, all cash receipts and checks are deposited into the bank. At the time deposits are made to the bank, the Treasurer/Collector shall post all amounts deposited to the Treasurer's cashbook.

- Postings to the cashbook for accounts payable and payroll disbursements shall be made within two days of notification from the Town Accountant of such transactions. The Treasurer/Collector shall post entries for interest earned upon notification from the bank(s).

REFERENCES:

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

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

ADOPTED BY: MONTAGUE SELECTBOARD

DATE ADOPTED: NOVEMBER 1, 2021

B-2 Grant Management

PURPOSE

A municipality's use of grant funds can be a valuable tool in the pursuit of policy goals and objectives; but effective grant management requires diligence from pre-application review through grant implementation to grant closing. The purpose of this policy is to establish a framework for evaluating grant opportunities, tracking grant activity, and processing grant revenues and expenditures.

APPLICABILITY

This policy applies to the Town Administrator and Selectboard regarding the application for and acceptance of grants; the Town Accountant and Treasurer/Collector regarding the control of grant funds; and, each department responsible for implementing and managing a grant-funded program.

DEFINITIONS

N/A

POLICY

- All departments are encouraged to pursue grant funding for projects and programs consistent with the Town's goals and objectives.

- All municipal grant applications must receive pre-approval by the Selectboard upon recommendation by the Town Administrator.

- Pursuant to M.G.L. c. 44, § 53A, no department shall expend grant funds until a fully executed grant agreement has been accepted and approved for expenditure by the Selectboard and a grant account(s) is established by the Town Accountant.

- No grant funds shall be used to supplant an existing operating budget appropriation for the purpose of diverting it to another use.

- It shall be the responsibility of the municipal department managing a grant to comply with the terms and conditions of the grant agreement as well as all applicable federal, state and local laws and regulations; and to provide timely notification to the Town Administrator of any developing concerns relative to implementation of the grant, its budget, or compliance with grant requirements.

- At fiscal year-end, the Town Accountant shall evaluate the materiality of any grant expenditures in excess of grant reimbursements and, if deemed material, request that the Treasurer, pursuant to M.G.L. c. 44, § 6A, borrow in anticipation of reimbursement, to finance such deficits in order to mitigate the impact on the Town's fiscal condition.

PROCEDURES

Grant application

- All grant applications shall be approved by the Selectboard - upon recommendation by the Town Administrator - prior to their submission to a grantor for funding. In the case of a late developing grant opportunity requiring submittal of a grant application prior to the next scheduled meeting of the Selectboard, the Town Administrator, in consultation with the Selectboard Chair, may submit a grant application. Such submittal shall be subject to approval by the full Selectboard at its next scheduled meeting. If approval is not granted by the Selectboard, the Town Administrator shall submit a notice of withdrawal of the grant application to the grantor.

- Prior to submission of a grant application to the Selectboard for approval, a department wishing to pursue a grant application shall submit a proposal to the Town Administrator for review describing the grant opportunity and the reasons for seeking grant funding. Evaluation of the proposal shall address the following:

    - The department's motivation for pursuing the grant

    - An assessment of how the grant will further the Town's policy goals and objectives

    - An assessment of the capacity of existing staff to administer the grant over the term of the grant, and costs of salaries and benefits for new staff, if needed.

    - Availability of office space, facilities, supplies, or equipment required to implement the grant

    - Cash or in-kind contributions, if any, required of the Town by the grantor, and proposed funding sources to meet such requirements

    - Town overhead that can be funded through the grant

    - Potential for the grant program to generate income to the Town

    - Identification of potential post-grant costs if the grant-funded program is maintained, or terminated

    - Grant compliance and audit requirements

Grant Management

- Upon notification of a grant award, the Town Administrator will forward a signed copy of the grant agreement to the Town Accountant who will establish grant accounts in the general ledger

to record grant revenues and expenditures, and set-up systems to ensure that grant-funded staff are appropriately charged to the grant.

- The Town Accountant shall issue monthly reports to grant managers showing amounts expended-to-date versus budget, and grant payments received to-date.

- Primary responsibility for grant management shall rest with the Town department awarded the grant. This shall include compliance with all terms and conditions of the grant, timely expenditure of funds, regular monitoring of the grant budget, timely filing for reimbursement, if applicable, and filing for an extension of the grant, if permitted and needed.

Grant Closeout

- Upon completion of the grant-funded program or grant period, whichever comes first, the grant manager will verify that all grant requirements have been met and will send to the Town Accountant a grant closeout package that includes a final report and either a final reimbursement request or notification of the amount to be refunded to the grantor.

- Upon receipt of the closeout package, the Town Accountant will put the general ledger's grant account into inactive status and will reconcile the project manager's report with the general ledger's record of grant activity. The project manager will subsequently submit the final reimbursement request to the grantor or, if a refund is due, the Town Accountant will add the refund amount to the AP warrant.

- Within 30 days of any grant closeout or the year-end closure, whichever is earlier, the Town Accountant will determine if the grant account has been over expended and will either apply the expense to the operating budget or propose an appropriation from other available funds.

Audit

- All grant activities are subject to audit by the particular grantors, the Town Accountant, and Montague's independent auditor. The Town Accountant will maintain all grant documents and financial records for seven years after their closeouts or for the lengths of time specified by the grantors, whichever period is longer.

REFERENCES

M.G.L. c. 40, § 5D M.G.L. c. 41, § 57

M.G.L. c. 44, § 6A M.G.L. c. 44, § 53A

Public Employee Retirement Administration Commission: Memo #12/2003

Mass.gov webpage: Municipal Grant Finder

US grant search website: grants.gov

Department of Elementary and Secondary Education

ADOPTED BY: MONTAGUE SELECTBOARD

DATE ADOPTED: NOVEMBER 1, 2021

B-3 Employee Reimbursements

PURPOSE

To establish a policy that sets out procedures for a uniform method for approval, payment, and accounting of reimbursements to employees for legitimate business-related expenses.

APPLICABILITY

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

DEFINITIONS

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

Business travel expenses – expenses incurred for either in-state and out-of-state travel e.g., plane tickets, airport parking, shuttle fees, hotel accommodations, meals, conference/training fees, parking, tolls, taxis and ride sharing (e.g., Uber or Lyft). This does not include mileage incurred by an employee for in-town travel or travel to other Massachusetts municipalities in the performance of regular, daily tasks.

Approved Business Meals – The limit on the amounts authorized to be expended, inclusive of taxes and tip, for breakfast, lunch and dinner that will be paid for with Town funds per a schedule that is established by the Selectboard, and is subject to periodic modification. Reimbursement for alcoholic beverages is prohibited by M.G.L. c. 44 Section 58.

In-State Travel – an employee's travel to other locations in the state other than in-town travel or travel to other Massachusetts municipalities in the performance of regular, daily tasks.

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

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

POLICY

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

- Business travel expenses incurred during in-state travel require the pre-approval of the employee's department head or his/her designee. Evidence of advance approval must be included with an employee's request for reimbursement. The Town Accountant shall determine the form by which approvals are obtained. In the case of elected officials, appointed officials and volunteers, approving authorities shall be the chairperson of the respective Boards and Committees on which the individual serves.

- Out-of-State business travel requires the pre-approval of the employee's department head and the Town Administrator. Evidence of advance approval must be included with an employee's request for reimbursement. The Town Accountant shall determine the form by which approvals are obtained. In the case of elected officials, appointed officials and volunteers, approving authorities shall solely be the chairperson of the respective Boards and Committees on which the individual serves.

- For business travel requiring the use of a vehicle, including travel between town buildings in the course of a day, employees shall make reasonable efforts to use municipal vehicles instead of their personal vehicles.

- Before paying for job-related expenses out-of-pocket (e.g., office supplies, public works materials, food) town employees should make every effort to procure such items from businesses where the Town has an account and will invoice the Town for purchases.

- Prior to the purchase of job-related expenses out-of-pocket, an employee shall obtain the authorization of his/her supervisor. Such authorization may be verbal or written.

- An employee may not be reimbursed for sales tax incurred. To avoid incurring sales tax, an employee can obtain a certificate from the Town Accountant stating the Town is exempt from sales tax for presentation to a business at the time of purchase of a job-related item.

- When reserving overnight accommodations for business-related travel, employees are expected to stay at "average rate" facilities utilizing a conference rate or a group rate when available.

- Employees shall be reimbursed for room rates and basic internet service only. Examples of charges that will not be reimbursed include, but are not limited to, "wet-bar" expenses, gym fees, laundry and movies.

- Reimbursement for eligible expenses incurred for overnight accommodations will be only for actual expenses incurred.

- When making travel reservations, employees are expected to secure the lowest available fares for airplane, train, or other vehicle transportation. Airplane travel should be at economy, coach, or other lower travel rates.

- Rental cars should be limited to mid-class or smaller vehicles, unless the number of persons attending requires a larger vehicle.

- The Town will reimburse employees for approved business meals per a schedule authorized by the Selectboard. Reimbursement for alcoholic beverages is prohibited by M.G.L. c. 44 Section 58.

- The following expenditures incurred by an employee in the course and scope of their duties shall not be reimbursed:

    - Massachusetts sales tax not including hotel/motel and meals excise taxes
    - Alcoholic beverages including liquor, beer and wine
    - Flowers and gifts for employees or others, in certain cases (see Municipal Expenditures: Proper Public Purposes in City and Town, Volume 19, No.2, a publication of the Massachusetts Department of Revenue, Division of Local Services)
    - Charitable contributions
    - Political contributions
    - The personal portion of any trip
    - Family expenses, including those of a partner when accompanying employee on Town business, child care or pet care
    - Entertainment expenses, including theatre, shows, movies, sporting events, sightseeing tours, golf, spa treatments, etc.
    - Non-mileage personal automobile expenses including repairs, insurance, gasoline, traffic citations
    - Personal losses incurred while on Town business
    - Expenses paid for by any other organization
    - Valet services
    - Mileage while traveling as a passenger in a privately-owned car
    - Personal travel insurance
    - Medical or hospital expenses
    - Theft, loss or damage to personal property while on Town business
    - Personal toilet articles, reading material, or personal telephone calls while on Town Business

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

PROCEDURES

- Requests for reimbursement shall be on a form prescribed by the Town Accountant accompanied by required supporting documentation.

- Expenses incurred that are eligible for reimbursement shall include

- Business mileage
- Business travel expenses
- Job-related expenses

- On January 1 of each year, that Town Accountant shall distribute to all employees a schedule of the limits on the amount of reimbursement for travel-related expenses as established by a schedule adopted by the Selectboard, which shall be subject to periodic modification.

- Mileage reimbursement for authorized use of a personal vehicle for the performance of regular, daily tasks or travel to attend other activities (e.g., conferences, training or seminars) shall be based on the IRS Mileage Rate in effect at the time the vehicle is used. Requests for reimbursement shall be accompanied by a map, - Google maps or equivalent – showing the beginning and ending destinations and the mileage.

- Requests for reimbursement must be accompanied by original, itemized receipts. When an employee pays by personal check, a copy of the canceled check must also be attached to the reimbursement form. When an employee uses his/her credit card or debit card, the customer copy of the credit/debit card receipt or a copy of the credit/debit card statement showing the charge must also accompany the request for reimbursement.

- Original receipts must indicate the date and time, name of business, location, amount paid and business purpose (handwritten by the employee).

- A request for reimbursement form must be signed by the employee and submitted to the department head or his/her designee for review, approval and signature.

- Prior to signing the reimbursement form, the department head or his/her designee shall review the request for reimbursement form to ensure that the costs incurred comply with this policy. If questions arise, the department head shall seek clarification and additional documentation, if needed, from the employee before signing the form.

- Requests for reimbursement should be submitted no later than one month after expenses have been incurred. Requests for reimbursement for June expenses must be made by July 14th.

- If documentation (e.g., credit card statements, cancelled checks) required of an employee to accompany requests for reimbursement will not be received until after the close of a fiscal year, the employee – through his/her department head – shall submit a request to the Town Accountant to have the current fiscal year's funds needed to cover the reimbursement encumbered so they will carry over into the next fiscal year and be available to cover the reimbursement request when submitted.

- Upon signing the request for reimbursement form, the department shall submit the reimbursement form and its attachments to the Town Accountant to be paid in the next accounts payable cycle.

REFERENCES

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

Municipal Expenditures: Proper Public Purposes in City and Town, Volume 19, No.2, a publication of the Massachusetts Department of Revenue, Division of Local Services

ADOPTED BY: MONTAGUE SELECTBOARD

DATE ADOPTED: NOVEMBER 1, 2021

B-4 Anti-Fraud

PURPOSE

Public trust is critical to the success and integrity of municipal government. Employee confidence in government is equally essential. The Town's commitment to protecting its revenue, property, information, and other assets from fraud and abuse is critical not only to protecting these assets but also to earning the public's trust and employee confidence.
The purpose of this policy is to formalize the Town's commitment to protect its assets from abuse and fraud and to establish written guidelines and procedures to effect such protection.

APPLICABILITY

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

- Permanent full-time, part-time, seasonal, and casual employees,
- Appointed officials, elected officials, and committee members
- Volunteers and interns

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

DEFINITIONS

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

Conflict of Interest - a situation in which an entity or individual becomes unreliable because of a clash between personal (or self-serving) interests and professional duties or responsibilities. Such a conflict occurs when a company or person has a vested interest—such as money, status, knowledge, relationships, or reputation—which puts into question whether their actions, judgment, and/or decision-making can be unbiased. When such a situation arises, the party is usually asked to remove themselves, and it is often legally required of them.

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

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

Misappropriation of Assets –

- Forgery, alteration, or misappropriation of checks, drafts, promissory notes, or securities
- Unauthorized use or disposition of funds or property (for example, misuse of Town-owned computer hardware, software, data, and other records; use of Town-owned equipment, vehicles, or work time for non-Town purposes)
- Embezzlement
- Theft
- Falsifying time sheets or payroll records

- Falsifying travel or entertainment expenses and/or utilizing Town funds to pay for personal expenses or for personal benefit
- Fictitious reporting of receipt of funds
- Fraudulent Financial Reporting

    - Improper revenue recognition
    - Improper expense/expenditure recognition
    - Overstatement of assets
    - Understatement of liabilities

- Expenditures and Liabilities for Improper Purposes

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

POLICY

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

- The Town of Montague shall have a zero-tolerance policy with regard to fraud and is committed to undertake the following steps as part of their anti-fraud policy:

    - Education
    - Prevention
    - Detection
    - Investigation
    - Corrective Action

- The Town expects all parties to whom this policy is applicable to comply with all aspects of this policy - and procedures and protocols developed pursuant to it - as well as all applicable state and federal laws and regulations.

- It shall be the responsibility of the Town Clerk to ensure that all parties to whom this policy is applicable undertake Conflict of Interest training as required by MGL c. 268A § 28.

- The Town will communicate to all parties to whom this policy is applicable the meaning, definitions, and actions that constitute fraud. The form of communication shall be a written document to be appended to this policy developed by the Town Administrator, or his/her designee(s), in consultation with Town Counsel, that embodies the principles described herein and outlines procedures and protocols to implement this policy. Further, all parties to whom this policy is applicable shall be given a copy of this policy and document and be required to sign a statement that they have read it in full and understand it, which shall, in the case of an employee, become a record in the employee's personnel file, and in the case of other applicable

parties, shall be kept on file in the Town Administrator's office. Thereafter, at the time of hire, engagement, appointment or election, all new individuals will be subject to the same requirements.

- The Town Administrator shall review this policy and the document described above and revise, as needed, every two years. Further, a copy of the policy and document shall be transmitted to each employee at the expiration of every two-year period following their original signing for review, with each new document signed by the employee.

- The Town shall investigate any suspected acts of fraud impartially, confidentially, and without regard to the position, title, length of service, or relationship of any person, group, or organization involved.

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

PROCEDURES

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

- Description of ethical standards expected of all parties to whom this policy is applicable

- Detail of actions that constitute fraud

- Duty to report suspicion of fraud

- Whistleblower protection

- Anti-fraud education program

- Identification of parties to be notified in the event of suspicion of fraud

- Mechanism for reporting suspicion of acts of fraud

- Identification of parties responsible for conducting a fraud investigation

- Confidentiality of a fraud investigation

- Identification of party to whom results of investigation are to be reported

- Personnel action post-investigation
    - Disciplinary action by the Town
    - Referral to local, state or federal authorities for additional action
- Action against originator of claim if it is determined there was no reasonable basis for the original claim and it was motivated by malicious intent
- Corrective action
    - Identification of parties responsible for developing protocols, practices and internal controls to avoid recurrence of fraud committed; timeline for the development of corrective action; and parties to review and approve the corrective action plan.

REFERENCES

M.G.L. c. 149, § 185

MGL c. 268A

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

ADOPTED BY: MONTAGUE SELECTBOARD

DATE ADOPTED: NOVEMBER 1, 2021

B-5 Procurement

PURPOSE

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

IMPLEMENTATION TIMELINE

It is intended that this policy will go into effect upon adoption with the following exception.

It is recognized that as of the date of adoption of this policy, the implementation of a purchase order/encumbrance software system cited below to enhance internal controls will be an extended process requiring identification of competing systems in the marketplace; evaluation of the these systems and their compatibility with the Town's existing financial management software; approval of funding for the acquisition of a system; development of business rules to govern the system's operation; and training of Town personnel on the system's use. Consequently, it is agreed that, by adoption of this policy, there is a commitment to implement a purchase order/encumbrance software system though with a target starting date of July 1, 2024 for fiscal year 2025.

Notwithstanding the above, it is acknowledged that though the Town has yet to implement purchase order/encumbrance software system, the absence of such a system does not suggest that internal controls that would be automated by the software do not currently exist. At present, as part of standing practice, Invoices submitted to the Town Accountant's office are reviewed weekly, albeit after the fact, as part of the accounts payable process; and, regular reviews of departmental budgets are performed by the Town Administrator and Town Accountant and reviewed with department heads to identify potential budget shortfalls, including efforts to identify goods on order that would affect the calculation of the available budgetary balances.

APPLICABILITY

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

DEFINITIONS

Chief Procurement Officer – pursuant to MGL Chapter 30B, §2, the purchasing agent appointed by the Selectboard, or otherwise designated by charter or local by-law for the appointment of a Chief Procurement Officer, to procure all supplies and services for the Town.

Pursuant to M.G.L. c. 30B, § 19, the Chief Procurement Officer of a governmental body is authorized to delegate procurement powers and duties to other employees of the governmental body.

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

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

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

POLICY

It shall be the policy of the Town as follows:

- The Town Administrator shall serve as the Chief Procurement Officer of the Town.

- The Town shall implement purchase order/encumbrance system software to (1) efficiently and comprehensively validate that a prospective purchase is appropriate, legal, budgeted for, and that, at the time of purchase, budgetary balances are adequate to finance the purchase and (2) provide accurate budget reporting that captures the obligation to ultimately pay for goods and services on order.

- Purchases in excess of $5,000 shall require a purchase order.

- The Town Administrator, subject to delegation of authority by the Selectboard, shall be the signatory on all town contracts equal to or less than $10,000, with the exception of contracts under the statutory purview of the Library Trustees or Airport Commission.

- The Town Administrator, subject to delegation of authority by the Selectboard, shall be the signatory on all purchase orders in excess of $10,000.

- The Town Accountant shall sign all contracts including purchase orders to certify that funds are available to finance the contract.

- If the Town Accountant, upon review of any purchase order, has concerns that the good or service to be purchase is not appropriate, legal or budgeted for, he/she shall consult with the Town Administrator before signing it.

- As Chief Procurement Officer of the Town, the Town Administrator may delegate his/her powers and duties to one or more employees of the Town. Such delegation shall be in writing, signed by the Chief Procurement Officer, and state the activity or function authorized and the duration of the delegation. A delegation may be in specific or general terms, may be limited to a particular procurement or class of procurements, and may be conditioned upon compliance with specified procedures. A delegation may be revoked or amended whenever the Chief Procurement Officer determines that revocation or amendment is in the best interests of the Town. A delegation of powers or duties by the Chief Procurement Officer and any revocation or amendment thereof shall not take effect until a copy of the same has been filed with the office of the Inspector General of the Commonwealth.

- It shall be the policy of the Town that all employees shall procure goods and services pursuant to sound business practices and in compliance with all applicable laws and regulations of the Commonwealth and Town By-Laws, including ethics provisions that govern the conduct of public officials and employees.

- It shall be the policy of the Town that all department heads, within 6 months of the beginning of their employment, and other employees within 6 months of their designation by their department head to be responsible for the solicitation of bids for goods and services, shall pursue training opportunities and certifications offered by the Commonwealth in the areas of procurement that may be pertinent to their daily operations including the following:

    - Public Contracting Overview, or equivalent, offered by the Commonwealth's Office of the Inspector General **(this shall be mandatory for all employees designated to solicit bids for goods and services regardless of their department)**
    - MGL Chapter 30B – procurement of supplies and services
    - MGL Chapter 149 – building (vertical) construction
    - MGL Chapter 7C, §§ 44-58 – designer services
    - MGL Chapter 30, §39M --Non-building (horizontal) Construction

All required training at the Town's expense, shall be completed by an employee within two years of the beginning of employment with the Town.

- To the extent that any Department Head is uncertain regarding the requirements of a procurement process, that individual will consult with the Chief Procurement Office before proceeding with the procurement process.

- The Town shall comply with state Prevailing Wage requirements, where applicable, and with associated payroll report record collection and maintenance.

- The Town shall comply with all purchasing-related record retention requirements as promulgated by state statute and regulations. Files are to be maintained with the Department until the procurement file is complete, at which time they will be transferred to the Chief Procurement Officer.

PROCEDURES

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

- Subject to delegation of authority by the Chief Procurement Officer, each town department head shall be responsible for the procurement of goods and services of the department.

- The department head may designate one or more employees to solicit bids for goods and services.

- The purchase of any good or service in excess of $5,000 shall require the issuance of a purchase order.

- Though goods and services of less than $5,000 generally do not require a purchase order, if a good or service is on order and anticipated to be delivered and/or invoiced after the close of the fiscal year, each department must initiate a requisition for a purchase order for the good or service for the purpose of posting an encumbrance of funds from the current year's budget so they are available to pay invoices when submitted.

- For all purchases, whether or not they require a purchase order, vendors shall be instructed to transmit invoices to the department that generated the order.

- With the exception of designer selection, the solicitation of bids for any good or service under $10,000 must be made on the basis of sound business practices, i.e., to the extent practicable be made competitively by seeking at least 3 quotations based on a common specification. (For designer selection, services with an estimated cost of $30,000 or more requires solicitation of quotes from three designers.)

- The solicitation of bids for goods or services of $10,000 or more ($30,000 in the case of designer selection), except those exempt from competitive bidding by statute, must adhere to the requirements of Massachusetts General Laws.

- In the case of procurement of those goods or services exempt from competitive bidding by statute, to the extent practicable, efforts shall be made to solicit competitive quotations from at least three vendors/firms.

- The procurement of a good or service which is estimated to cost $10,000 or more may not be split into multiple procurements in order to evade the requirements of Massachusetts General Laws.

- The Town Accountant shall establish a hierarchy of approvals of purchase order requisitions that, at a minimum, shall include:
    - The department head of the requisitioning department if the requisition was initiated by one of his/her designees
    - The Town Accountant or his/her designee
    - The Town Administrator

- A requisition for a purchase order of $10,000 or more shall be accompanied by evidence that competitive quotes were sought in compliance with Massachusetts General Laws governing the good or service being procured.

- If the procurement is for a good or service that calls for the signing of a detailed contract in addition to a purchase order, a copy of the proposed contract shall accompany the requisition

and include signature blocks for the Town Accountant (to certify the availability of funds), and for the Town Administrator or, if valued at $10,000 or more, the Selectboard Chair.

- The Town Administrator, in consultation with Town Counsel, shall develop a template for a standard contract for the procurement of goods and services that shall include provisions that will protect the interests of the Town and will be subject to modification to meet the needs of any particular procurement. Vendor contracts shall not be acceptable forms of contract unless reviewed by the Town Administrator or her/his designee and validated as being in the best interest of the Town.

- Competitive bids may be waived in instances where it is demonstrated that only one vendor can provide a good or service in an amount of $50,000 or less, referred to as a sole source procurement. A requisition for a purchase order for a sole source procurement must be accompanied by a memorandum from the department head seeking the purchase order to the Chief Procurement Officer stating the evidence that there is only one vendor who can provide the good or service.

- Whenever the time required to ordinarily procure a good or service would endanger the health or safety of the people or their property due to an unforeseen emergency, the Chief Procurement Officer shall, in the case of horizontal or vertical construction, initiate an emergency procurement that complies with the requirements of the Commonwealth's Division of Capital Asset Management and Maintenance (DCAMM) pursuant to MGL Chapter 149, §44J(6); and, in the case of non-construction procurements, complies with the requirements of MGL Chapter 30B, §8

REFERENCES

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

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

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

ADOPTED BY: MONTAGUE SELECTBOARD

DATE ADOPTED: NOVEMBER 1, 2021

B-6 Revenue Processing

PURPOSE

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

APPLICABILITY

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

POLICY

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

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

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

PROCEDURE

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

A. Receipt of Payments

- Upon the receipt of a cash payment, the receiving department shall compare the amount paid to the amount shown on the remittance and any discrepancy shall be noted at that time.

- Any Town department receiving payments must issue a receipt for each payment using pre-numbered receipt books, regardless of whether the payer requests a receipt. A copy of each receipt shall be maintained by the department.

- All departments must identify the form of payment (check, cash or credit card) on the departmental copy of each receipt issued.

- Any check received for payment shall be immediately endorsed "For Deposit Only" using a stamp or by handwriting.

- Each department receiving payments shall secure them in a locked cashbox or safe until turned over to the Treasurer/Collector.

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

- Payments received by the Treasurer/Collector Office, whether by departmental turnover or from payments made directly to the Treasurer/Collector's Office, shall, at a minimum, be deposited at the bank on a weekly basis.

B. Turning Over Revenues

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

C. Receiving Turnovers

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

- Following the reconciliation of any discrepancies between the count and the Turnover Sheet, the Treasurer/Collector shall sign and date the Treasurer's copy and the Accountant's copy. The Treasurer/Collector's office shall provide a copy of the signed Turnover Sheet to the department that generated the turnover to be retained by that department as a record of the transaction. In turn, the Treasurer/Collector's Office shall transmit the signed Accountant's copy to the Town Accountant. Upon receipt of the Turnover Sheet, the Town Accountant shall post the turnover to the general ledger. The Town Accountant shall not post any turnover that is not signed by the Treasurer/Collector.

- For those payments made to the Collector for which bills are issued (e.g., property taxes, sewer charges, and motor vehicle excise) deposits to the bank shall be made in the timeframe prescribed in this policy; and a turnover to the Treasurer shall be made no more than monthly under the cover of a Town of Montague, Schedule of Payments to the Treasurer. Upon receipt of this schedule, the Treasurer shall transmit a signed copy to the Town Accountant who will then post the payments to the general ledger.

- At the time deposits are made to the bank, the Treasurer/Collector shall enter all amounts deposited to the Treasurer's cash book. Until a deposit is completed, the Treasurer/Collector will ensure that all receipts are secured at all times, either in a cash drawer, or in a safe.

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

D. Insufficient Funds

- Upon notification from the bank of the deposit of a check with insufficient funds, or an invalid or otherwise unpaid electronic funds transfer (EFT), the Treasurer/Collector will enter a reversal of the amount in question to the appropriate account in the general ledger and notify the department responsible for the turnover. The Treasurer/Collector will also make an entry to the cashbook reversing an earlier posting of the receipt.

- The Treasurer/Collector, pursuant to M.G.L. c. 60, § 57A, will notify the payer in writing of the bounced check or rejected EFT and require payment of the original amount plus a $25.00 penalty for any rejected payment up to $2,500, or 1% of the check value for any rejected payment in excess of $2,500. Payments of the original amount and the penalty shall be due in 30 days and in the form of cash, money order, or certified check.

- The head of the department receiving the original payment shall, if requested, assist the Treasurer/Collector in pursuing the amount owed. If the original payment was for a license or permit, the department shall suspend the license or permit until the original amount and penalty has been paid pursuant to M.G.L. c. 40, § 57.

E. Reconciliation

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

F. Audit

- All cash management activity is subject to review by the Town Accountant and Montague's independent auditor at any time deemed necessary.

REFERENCES

M.G.L. c. 40, § 57 M.G.L. c. 41, § 35

M.G.L. c. 41, § 57 M.G.L. c. 44, § 69

M.G.L. c. 60, § 57A

Montague Cash and Receivables Reconciliations Policy

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

ADOPTED BY: MONTAGUE SELECTBOARD

DATE ADOPTED: NOVEMBER 1, 2021