



Norton  
MASSACHUSETTS

**FINANCIAL POLICY  
MANUAL**



## TOWN OF NORTON FINANCIAL POLICY MANUAL

### TABLE OF CONTENTS

Sections		Page
Section 1	Introduction and Purpose	3
Section 2	Antifraud Policy	5
Section 3	Budget Policy	7
Section 4	Capital Planning Policy	9
Section 5	Contingent (Unfunded) Liabilities Policy (Includes OPEB)	11
Section 6	Debt Management Policy	13
Section 7	Disbursement Policy	15
Section 8	Financial Reserves & Liquidity Policy	17
Section 9	Forecasting Policy	19
Section 10	Grant Management Policy	21
Section 11	Indirect Cost Allocation Policy	22
Section 12	Investment Policy	23
Section 13	Data National Access Policy	24
Section 14	Procurement Conflict of Interest Policy	25
Section 15	Reconciliations Policy	26
Section 16	Revenue Turnover Policy	28
Section 17	Tailing Policy	29
Section 18	Tax Enforcement Policy	30
Section 19	Tax Recapitulation Policy	32
Section 20	Town Credit Card Policy	34
Section 21	Town Reimbursement Policy	35
Section 22	Year End Closing Policy	37
Appendix A	Reference List	38
Appendix B	Town of Norton By-Laws	41
Appendix C	Town of Norton Personnel Policies and Procedures	42
Appendix D	DLS City & Town Newsletter dated February 2006	43
Appendix E	Water & Sewer Enterprise Fund Indirect Cost Allocation Methodology	44
Appendix F	Municipal Software Access Form	45



# TOWN OF NORTON

## FINANCIAL POLICY MANUAL

### SECTION 1

#### **1) Introduction and Purpose:**

##### 1.1 Introduction & Purpose:

The Town of Norton, Massachusetts is responsible for the careful accounting and stewardship of public funds. These funds are provided by the taxpayers to the Town to provide affordable and sustainable services, ensure its financial strength and stability services, and to meet other goals and objectives established by the community, as represented by Town Meeting and the Board of Selectmen.

With the following policies, the Town of Norton, through its Select Board, Town Manager, various financial committees, and its employees, seek to:

- Provide value to the residents, business owners and visitors to the Town for each tax dollar by delivering quality services efficiently and on a cost-effective basis;
- Preserve the Town's quality of life by providing and maintaining adequate financial resources necessary to sustain a sufficient level of municipal services, and to respond to changes in the economy, the priorities of governmental and non-governmental organizations, and other changes that may affect our financial health;
- Maintain the highest achievable credit rating in order to minimize the cost of borrowing needed for the capital needs of the town;
- Guide Town decision makers on management and policy decisions which have significant fiscal importance;
- Present operating principles that minimize the cost of government and financial risk;
- Employ balanced, and fair revenue policies that provide adequate funding for desired programs;
- Promote transparency and public disclosure
- Ensure accurate and timely reporting

To achieve these objectives, the Select Board has adopted broad financial planning, revenue, and expenditure policies. General financial management and best management policies are also adopted to promote operational effectiveness, transparency and accountability. Collectively, these policies are intended to provide guidance to our decision-makers, leaders and professional staff and should be used to frame major policy initiatives and budgetary decisions.

All of the financial policies included shall also be kept up to date and amended as circumstances, such as regulatory changes, technology, and best practices dictate. This shall be accomplished at a minimum through an annual review, in November of each year, so that any changes can be implemented in the budget process.

The Select Board also recognizes that the leaders hired to manage the Town's finances are in the best position to establish the procedures associated with their area of expertise. Certain areas of our financial operation also warrant additional attention to adequately address the Select Board's financial management objectives; therefore, the following additional practices are in place:



## TOWN OF NORTON FINANCIAL POLICY MANUAL

- A. Each of the financial offices of the Town which consist of, as applicable, the Office of the Town Accountant, the Treasurer/Collector, and the Assessor shall prepare policy guidelines, for approval by the Town Manager, establishing the following:
  - 1. Standards of Performance
  - 2. Identification of significant office functions and responsibilities
  - 3. Adoption of policies related to each significant function and responsibility
  - 4. Documentation on the performance of each significant function and responsibility by internal office personnel and external users.
  - 5. Identification of key internal controls for each significant function and responsibility.
- B. Financial policies shall be accompanied by summary information which provide background and document the key considerations used in arriving at the policy decision. Where possible, reference to professional documents and/or sources should be disclosed.
- C. The Treasurer/Collector, or other designee, shall prepare a cash and investment policy which ensures an appropriate level of stewardship of public funds. The policy should reflect the statutory responsibility and authority of the Town's designated Treasurer/Collector.
- D. The Town Accountant, or designee, shall prepare, for approval by the Town Manager, broad policies addressing risk management and financial controls.

### 2.1 Other related Policies

A reference list of resources for each section of this document is included as Appendix A. Additional provisions for financial related activities are included in the Town By-Laws included as Appendix B. The Town has adopted a General Conduct and Standards Policy, a Town Equipment and Property Policy, a Computer Electronic Mail and Internet Use Policy, and a Cell Phone Policy which are also provided for within the most current version of the Town of Norton Massachusetts Personnel Policies and Procedures manual attached by reference as Appendix C.



## TOWN OF NORTON FINANCIAL POLICY MANUAL

### SECTION 2:

#### 2) Antifraud Policy

##### 2.1 Introduction:

To protect the Town's assets and reputation from misappropriation and abuse, this policy provides guidelines to safeguard against fraud or the appearance thereof. This policy applies to all employees of the Town, members of boards and commissions, appointed, elected officials or agents representing the Town.

Fraud is defined as a deception deliberately taken to secure unfair or unlawful gain and includes but is not limited to such acts as deception, bribery, forgery, speculation, extortion, theft, embezzlement, misappropriation of money or assets, false misrepresentation, the concealment of material facts relating to any of the above and collusion or conspiracy to commit any or all of the above.

Some examples of fraudulent activities can include but are not limited to:

- Any dishonest or fraudulent act
- Forgery, alteration or misappropriation of checks, drafts, promissory notes, or securities
- Unauthorized use or disposition of funds, assets or property
- Embezzlement or theft (of supplies, resources, proprietary information, etc.)
- Falsifying time sheets or payroll records
- Falsifying expenses and/or utilizing Town funds to pay for personal expenses or benefit
- Fictitious reporting of receipt of funds
- Improper revenue or expense recognition
- Overstatement/understatement of assets or liabilities
- Profiteering as a result of insider knowledge
- Disclosing confidential or proprietary information
- Discounted or free services in exchange for benefits
- Bribes, kickbacks, breaches of fiduciary duty, bribery, or other statutory offenses

##### 2.2 Policy

The Town will investigate any suspected acts of fraud, or misappropriation of property. An objective and impartial investigation will be conducted in cases of reasonably believed fraud, regardless of the position, title, service length, or relationship with the Town of any person, group or organization.

Each department head is responsible for maintaining a system of internal control to provide reasonable assurance for the prevention and detection of fraud, misappropriations and other irregularities. Management should be familiar with the types of improprieties that might occur within their area of responsibility and be alert for any indications of such conduct.

Every employee has the responsibility to assist the Town in complying with policies and laws and in reporting violations.



## TOWN OF NORTON

### FINANCIAL POLICY MANUAL

All department heads or individuals, upon discovery of any violation of this policy, should notify the Town Manager of the violation. In cases where the employee has reason to believe the Town Manager may be involved, the employee should immediately notify the Chair of the Select Board unless the Chair of the Select Board is also believed to be involved, and then another member of the Board should be contacted.

Anonymous reports, while not the preferred method of reporting fraud, may be performed by letter or other form of message left with an appropriate responsible party.

The Town Manager has the primary responsibility for overseeing the investigation of all suspected fraudulent acts as defined in this policy. The Town Manager will immediately notify the Chair of the Select Board of any fraud investigation, as well as legal, financial or others as deemed appropriate. The Town Manager will make every effort to keep the investigation confidential. All participants and all persons questioned in a fraud investigation shall keep the details and results of the investigation confidential so as not to violate an individual's expectation of privacy or compromise potential legal action.

If it is determined by the Town Manager that the violation can be corrected within the department, the department head or individual will take such action deemed necessary to resolve. The department head will be expected to provide a written report of the corrected measure to avoid further recurrence.

Upon conclusion of any investigation, the results will be reported to the Chair of the Select Board. Where there are reasonable grounds to believe that a fraud may have occurred, the Town Manager, subject to the advice of Town Counsel, will report the incident to the appropriate authorities in order to pursue appropriate legal remedies. The Town Manager will pursue every reasonable effort to obtain recovery of the assets. If suspicion of fraud is substantiated by the investigation, disciplinary action, up to and including dismissal and appropriate legal action, shall be taken by the Town Manager and the Select Board.

The Town Manager shall convene meetings of an internal audit team, on an annual basis or more frequently if needed, to review and assess the effectiveness of the fraud prevention policy and to make recommendations for the further development and/or modification of a comprehensive fraud prevention plan and policies.

#### 2.3 Whistle-Blower Protection

The Town has adopted a Whistle-Blower policy in accordance with the Massachusetts Whistleblower Protection Act and is provided for within the most current version of the Town of Norton Massachusetts Personnel Policies and Procedures manual attached by reference as Appendix C.



## TOWN OF NORTON FINANCIAL POLICY MANUAL

### SECTION 3:

#### 3) Budget Policy

##### 3.1 Introduction:

Operating and capital budgets are developed on an annual basis to provide a comprehensive plan to deliver services to our residents and visitors. These budgets align the resources with the policy, goals, mission and vision of the Town.

##### 3.2 Budget Policies:

- A. The Town will follow the provisions of the Town By-Laws, included as Appendix B, in drafting, acting and adopting an annual operating budget which includes procedures on the budget submission timeline, budget message, annual policy statement, budget presentation and adoption.
- B. Massachusetts General Laws (M.G.L.) and this policy require annual operating budgets to be recommended to Town Meeting on a balanced basis wherein operating revenues are used to fund operating expenditures and such expenditures do not exceed budgeted appropriations.
  - Operating revenues include property taxes, recurring local estimated receipts and state aid and transfers in from other funds established for recurring operating purposes.
  - Operating expenditures include: personnel costs, ordinary maintenance and operating expenses, assessments and contractual costs. Operating expenditures include debt service previously approved as non-exempt debt.
- C. Recommendation of a balanced budget proposal to Town Meeting shall be done with consideration provided to other areas of the Financial Policies, including, but not limited to: Forecasting Policy; Financial Reserves & Liquidity Policy; Debt Management Policy; and Contingent Liability Policy.
  - The Town will use its best efforts to avoid non-recurring revenue sources, including available fund balance and free cash to fund recurring operating expenditures.
  - The annual budget presented will first secure core services and required mandates.
  - Commitments to new wage rate increases and service enhancements can be considered after core services have been secured with recurring revenue.
- D. Where available, one-time or non-recurring revenues that are not restricted by law, contract, or other provision will be used for non-recurring commitments, such as: addition to Town reserve funds; mitigation of contingent liabilities; or supplemental capital costs.
- E. The Town will follow the provisions of the Town By-Laws with regard to a Capital Improvements Plan. These provisions provide for the preparation and content of a 5-year capital improvement plan as well as timelines. In addition, the Town Manager shall prepare and maintain a 10-year projection of capital borrowing needs.





## **TOWN OF NORTON FINANCIAL POLICY MANUAL**

- F. The Town's financial offices shall monitor budget status as provided under M.G.L. and Department of Revenue (DOR) guidelines. Budget to actual reports on appropriations and estimated local receipts will be provided to the Select Board on a quarterly basis at a minimum
- G. Budget amendments and transfers shall be made as authorized by Town Meeting, as authorized by the Select Board and/or Finance Committee, or as provided under Town By-Laws provisions or M.G.L.
- H. The Select Board may suggest specific priority budget targets of the Town and shall communicate these to the Town Manager and the Finance Committee for priority status in establishing the annual budget.





## TOWN OF NORTON FINANCIAL POLICY MANUAL

### SECTION 4:

#### 4) Capital Planning Policy

##### 4.1 Introduction

This policy outlines the guidance for planning, reviewing, and coordinating capital improvements that maintain the Town's infrastructure and value of its capital assets.

##### 4.2 Policies:

The Capital Improvement Committee prepares an annual Capital Improvement plan after consulting with other Town departments, committees, boards, and individuals regarding Capital Improvement Fund Policy and Debt Policy. The Town Manager oversees the capital improvement program with the Capital Improvement Committee using the following guidelines and policies

- A. The Capital Improvement Plan includes capital projects from all Town departments although in some cases the capital spending may be governed by boards other than the Select Board. These projects are for tangible assets or projects estimated to cost over \$10,000 and are expected to have five or more years of useful life. Other projects may be included at the discretion of the Capital Improvement Committee. Examples may include:
  - Real property purchases, construction, or equipment
  - Major improvements to physical infrastructure
  - Planning or feasibility studies for potential capital projects
  - Bulk purchases of similar items (i.e. furniture or software) whose aggregate total costs exceed the capital threshold and whose life expectancy is five or more years.
- B. To support the Capital Improvement Plan, the Town Manager or designee, will annually, or more frequently if needed, update and maintain a detailed inventory of all capital assets, which includes dates built, acquired, or improved, original cost, current conditions, remaining lifespan, or other relevant information.
- C. As part of the annual budget process, the Town Manager will solicit capital project requests from department heads for evaluation. The Town Manager, with the Capital Improvement Committee, will then evaluate and prioritize the requests considering, but not limited to, the following:
  - Supports adopted plans or goals
  - Improves public health or safety
  - Stabilizes or reduces operating costs
  - Maintains or improves productivity or standard of service
  - Maintains or extends useful life of asset
  - Becomes required by state or federal law
  - Is supported by outside revenue sources



## **TOWN OF NORTON FINANCIAL POLICY MANUAL**

- D. The Town Manager, or designee, updates the five-year capital improvement plan and shall include supported data as needed and in collaboration with all town departments and boards. Public meetings about the proposed capital plan are conducted before a final plan is adopted each year.
- E. Capital Improvement projects may be funded by short term or long-term debt as may be appropriate. Throughout the year the Town Accountant will monitor active capital project to ensure they remain funded and will report such information to the Town Manager. The following financial considerations shall be considered, but not limited to, the following:
- Special revenue sources such as grants or trust funds
  - Short term debt may be used to fully finance purchases with useful lifespans of less than 10 years
  - Major capital project may be accomplished through capital or debt exclusions
  - Capital projects for Enterprise funds may be financed through user fees or other cost sharing ratios as agreed and included in the Indirect Cost Allocation.
- F. Close outs of capital projects should occur within six months of completion or discontinuation. As they are closed out, the Town Accountant shall work with the Town Manager to close out the project in accordance with applicable laws and regulations.
- G. The Capital Improvement Committee consists of 1 member appointed by the Select Board, 1 appointed by the Finance Committee, 1 appointed by the Planning Board, 1 member appointed by the School Committee and the Town Manager.



## TOWN OF NORTON FINANCIAL POLICY MANUAL

### SECTION 5:

#### 5) Contingent (Unfunded) Liability Policy

##### 5.1 Introduction:

Defined as “the actuarial calculation of the value of future benefits payable less the net assets available at a given date,” unfunded liabilities represent a significant obligation of governments across the country. For the Town of Norton, there are currently two primary unfunded liabilities: Pension Benefits and Other Post-Employment Benefits (OPEB).

**Pension:** The Town participates in the Contributory Retirement System in order to administer public employee pensions as required by law. This system operates in accordance with M.G.L and regulations promulgated by the Public Employee Retirement Administration Commission (PERAC). Bristol County Retirement provides for a biennial actuarial valuation to determine the Town’s share of its unfunded pension liability. Under current law, the CRS has adopted a funding schedule, which is paid by annual assessments to its members, to achieve full funding by the year 2035.

**OPEB:** Consists of the Town’s obligation to provide post-employment health insurance to retired employees, currently and in the future. The Town contributes 75% funding to retiree health insurance costs, currently on a pay-as-you go basis. The Town provides for a biennial actuarial valuation to estimate the value of its OPEB liability and participates in the Pooled OPEB Trust to pay for these obligations, similar to the pension fund. Although there is no current requirement to fully fund this liability the Town has set aside some funds from one-time sources and continues to provide for annual funding from within the levy, through departmental fee cost recovery, or other methods as they may become available.

##### 5.2 Policy

The Town is committed to funding the long-term cost of the benefits promised to its employees through various available methods.

- A. The Town will continue to follow the Commonwealth funding policy of providing for a pension funding schedule through the retirement association to achieve full funding by the year 2035. This funding will be provided in each annual budget authorization within the fiscal years levy limitations. After fiscal year 2030, the CRS shows a 66% reduction in the annual funding schedule for the member Towns. Upon full funding of the CRS in 2030, the Town adopts the goal of diverting the reduction in the annual funding of the retirement system to increasing the annual appropriation of OPEB. In this manner, the Town anticipates utilizing levy capacity that becomes available from achieving full funding status of the CRS unfunded liability, to increase the levy funding of the OPEB unfunded liability.
- B. The Town’s 5-year operating budget projection and annual budget authorizations will attempt to provide for increasing OPEB funding, with the short-term goal of achieving an annual appropriation of \$200,000 per year, within the levy, to narrow the gap between the Town’s annual pay-as-you go amount and its actuarially



## **TOWN OF NORTON**

### **FINANCIAL POLICY MANUAL**

determined calculation. In addition, the Town will seek to fully fund all retiree health insurance costs on an annual pay-as-you-go basis.

- C. Upon investing sufficient funds in the Town's OPEB Trust to exceed the Town's annual Expected Benefits Payments, estimate to be \$2,619,273 for fiscal year 2021 the Town will seek to recalculate its Total Actuarial OPEB liability in compliance with GASB Statements 74 and 75 based on the adoption of an approved Long-Term Expected Rate of Return based on capital market expectation, approved at 6.34% in fiscal year 2022, and will no longer use the municipal bond rate, approved at 2.18% in fiscal year 2021. This change will enable the Town to significantly decrease its total OPEB unfunded liability.
- D. As additional one-time financial resources are available after consideration of the Town's Reserve & Liquidity Policy and other financial needs of the Town, supplemental funding will be provided to contribute to the OPEB Trust Fund.
- E. As per the Town Revenue Policy, departmental fees will identify and include OPEB and Pension costs as either direct or indirect cost components to be recovered in the establishment of departmental fees, as appropriate.
- F. The actuarial analyses of the Town's OPEB liability are updated every two years by the Pooled OPEB trust and are provided to the Town's auditors for inclusion in the Town's annual financial statements that comply with the current GASB (Governmental Accounting Standards Board) guidelines.
- G. On an ongoing basis the Town will assess health care cost containment measures and evaluate strategies on how best to manage its OPEB liability. The Treasure/Collector will regularly audit the insurance and retiree rolls and terminate any participants found to be ineligible based on work hours, Medicare status, or other applicable factors.
- H. Funding strategies for the OPEB liability may include, but not be limited to:
  - End of year transfers to the OPEB Liability expense line item
  - Approved transfers of Free Cash
  - Appropriation of specific revenue resources



## TOWN OF NORTON FINANCIAL POLICY MANUAL

### SECTION 6:

#### 6) Debt Management Policy

##### 6.1 Introduction:

Debt is an effective way to finance capital improvements or to even out short-term revenue flows. For certain capital projects with a long useful life, debt financing is an equitable financing strategy that allows current and future beneficiaries of a capital investment to share in the cost of that improvement. Unlike most personal or private debt, towns have access to capital at very competitive tax exempt rates.

Properly managed debt helps to preserve the Town's credit rating, provides flexibility in current and future operating budgets, and provides the Town with long-term assets that maintain or improve our quality of life.

However, credit rating agencies, consider debt service exceeding 20% of net operating revenues as a potential problem. Dramatic increases in debt service also indicate potential problems unless revenue sources increase to keep pace with these additions to fixed costs. Policies to limit our debt service to appropriate levels should allow for new projects as old capital projects near the end of their useful life and for the growth of revenues to finance new capital needs.

##### 6.2 Policy

With the aforementioned concepts in mind, the Select Board has adopted, but is not limited to, the following debt management policies, procedures, and guidelines all of which shall be kept up to date and amended as circumstances, such as regulatory changes, technology, and best practices dictate.

- A. The requirements for debt financing shall be an expenditure of at least \$100,000 and a useful life in excess of five (5) years for only those projects not able to be financed from current revenues.
- B. Long-term debt will only be issued for objects or purposes authorized by state law.
- C. The term of long-term debt generally shall not exceed the expected useful life of the capital asset being financed. Long-term debt should not be incurred without a clear identification of its financing sources. State law strictly regulates both the purposes for which cities and towns can borrow and the time periods for which these borrowings can occur.
- D. General Fund debt service, exclusive of debt funded from dedicated revenues raised via voter-approved debt exclusions, will not exceed 10% of General Fund revenues.
- E. The Town will generally maintain a long-term debt schedule in the General Fund so that at least 50% of outstanding principal will be paid within 10 years.
- F. Debt limits established by law and policy will be monitored and calculated at least once each year and whenever otherwise appropriate.



## **TOWN OF NORTON FINANCIAL POLICY MANUAL**

- G. Select Board specific General Fund debt management goals subject to change as new circumstances arise:
- H. Enterprise Funds: Some municipal services, such as utilities (i.e. sewers) are activities supported by rate payers and accounted for separately as enterprise funds. These activities typically operate with infrastructure assets which have a very long useful life. Some components of this infrastructure may have life expectancy of at least 50 years. For these activities the following policies apply:
- Analysis of the predictability and reliability of rate revenues will be completed to determine feasibility of supporting repayment of contemplated debt. Enterprise operations should expect to support its own debt service, unless subsidized from the general fund approved as part of the financing mechanism.
  - Given the long-term nature of utility infrastructure investments, long-term debt maturities exceeding those expected for other facilities are permitted. Factors to be considered in this determination should include: cost of borrowing; interest rates; stability and reliability of rate revenue; expected life of the improvement; and taxpayer equity issues.



## TOWN OF NORTON FINANCIAL POLICY MANUAL

### SECTION 7:

#### 7) Disbursement Policy

##### 7.1 Introduction:

To mitigate the risk of fraud and ensure the Town disburses cash only for valid reasons, this policy establishes guidelines for the expenditure of Town funds and applies to all departments, boards, committees, or others who submit requests for expense and payroll disbursements (collectively referred to as Department Heads for this section).

##### 7.2 Policy

Disbursements for Payroll or Accounts Payable (AP) expense shall only occur with the prior review and approval of the appropriate Financial Department employees. Warrants shall be reviewed for accuracy and processed by the Accounting Department. The Town, as a tax-exempt organization, does not pay sales tax on any expense including employee personal reimbursements.

Payroll is reviewed and processed by each department with copies provided to the Treasurer/Collector for entry into the Harpers Payroll system and Accounting Department for entry into the Abila Accounting system.

More specifically, the following general procedures are followed for AP warrants and Payroll submissions:

- A. Both Payroll warrants are submitted by Department Heads on a bi-weekly basis. AP warrants are submitted on a weekly basis. The schedule for such submissions is prepared and distributed by the Accounting Department prior to start of the fiscal year.
- B. For Payroll submissions:
  - Department Heads prepare payroll vouchers for submittal to the Accounting Department for verification with copies to the Treasurer/Collectors Department for entry into the Harpers Payroll system in accordance with approved procedures on approved forms
  - The Treasurer/Collector or designee creates the preprocess file, reconciles it to the department submission, and then creates the final file that is submitted to the payroll service provider (Harpers).
  - A payroll file is kept with the printed Harpers reports and copies of all payroll documents are provided to the Accounting Department for reconciliation and entry into Abila Accounting system.
  - The Treasurer/Collector funds the gross payroll plus the Town's portion of Medicare tax and disburses payments by check, bank transfer, or direct deposit
- C. For AP Warrants:
  - Department heads review invoices for appropriateness to pay





## TOWN OF NORTON

### FINANCIAL POLICY MANUAL

- Departments prepare the AP Bill Schedule which includes department name, vendor name, account number, PO number if required, warrant date and amount of payment and submit the schedule along with the original invoices and/or receipts to the Accounting Department for entry into the Abila Accounting system.
- New Vendors shall be required to submit a W9 to the Accounting Department before any payment is processed or released.
- Warrants shall be reviewed and edited for accuracy and processed by the Accounting Department. Expenses must be for legal purposes and funds must be available before payments are made. *DLS City and Town Newsletter dated February 2006* reviews “proper public purposes” that are still relevant and is included as Attachment D.
- The Accounting Department then prints the AP checks and then forwards them to the Treasurer/Collector for execution and distribution. All checks include the statement “Void if not cashed within one year of issuance” either printed or stamped on the face of the check. Accounting also provides the Treasurer/Collector with the positive pay spool files that are submitted to the Bank.
- The Accounting Department also prepares the Warrant Cover Sheet for execution by the Select Board for every warrant.

D. Emergency Distributions:

If there is an emergency or extenuating circumstance where payment must be made to a vendor outside of the normal warrant process, the department head may coordinate with the Accounting Department for payment processing. This should be infrequent and is subject to the sole discretion of the Town Accountant.

E. Prior Fiscal year Bills:

To maintain the integrity of the General Fund annual budget, departments will charge all invoices to the proper fiscal year. In the event a department has an invoice for a prior fiscal year, it shall be submitted at a town meeting to authorize the payment and funding source.

F. Audit and Testing:

All disbursement activity is subject to testing and audit by the Town Accountant or the Town’s independent auditor. The Town is audited on an annual basis and testing of compliance with financial policies and other applicable laws or regulations may occur at any time.

G. Ethics:

All employees are reminded that ethics and avoiding any appearance of impropriety should be a priority for everyone. As many employees may have second jobs, relatives, or business that are used by the Town for various goods or services, they should be cognizant of all state Ethics rules and regulations that may be applicable. Where an appearance of conflict may exist, employees are encouraged to file State Ethics Commission disclosures with the Town Manager to identify such potential issues so that a determination that the potential interest is not so substantial as to be



## TOWN OF NORTON

### FINANCIAL POLICY MANUAL

deemed likely to affect the performance of their official duties. The Procurement Conflict of Interest policy section has information on resources associated with the State Ethics Commission and conflicts of interest.

#### **SECTION 8:**

### **8) Reserves and Liquidity Policy**

#### **8.1 Introduction:**

Towns maintain reserves in order to provide budgetary flexibility for unexpected events, to withstand financial emergencies, and to protect the Town from the usual unevenness in revenue and expenditure patterns that occur with changes in economic conditions. It is important that the Town maintain financial flexibility to ensure it is in a position to react and respond to these challenges without incurring significant financial stress.

Reserves may generally be established in three categories:

- Contingency Reserve: A reserve for unforeseen events.
- Restricted Reserve: A reserve dedicated for specific use at some future time.
- Unrestricted Reserve: A reserve that can be used for any purpose.

For example, reserves are created and maintained for several reasons, these include:

- Operational needs – these are contingency reserves (i.e. Finance Committee Reserve Fund) which are typically appropriated as part of the annual budget. The purpose is to meet unexpected increases in departmental operational costs, such as legal fees, major equipment repairs and unanticipated increases in service costs.
- Catastrophic or emergency expenditures – these are contingency reserves which provide emergency funds for use in a major or significant event, such as natural disaster, an uninsured loss or damage to a capital asset.
- Maintenance of assets – these are restricted reserves used to replenish the continuing depreciation or replacement of facilities and equipment.
- Liquidity or cash flow – These are unrestricted reserves used to reduce the need for short-term borrowing, generate investment income and to maintain a strong credit rating.
- Unfunded liabilities – These are restricted reserves used to fund an unfunded liability that has been incurred during the current or prior years, but which does not have to be paid until a future year, and for which adequate reserves have not been set aside. Unfunded liabilities commonly include pension and other post-employment benefit (OPEB) obligations.

#### **8.2 Policy**

The Town commits to building and maintaining its reserves so as to have as much flexibility for unexpected events as possible and to also help provide a source of available funds for future capital



## TOWN OF NORTON

### FINANCIAL POLICY MANUAL

expenditures or other major expenses. Maintaining positive balances and adequate reserves also positively impacts the Town's credit rating and the associated costs to fund major projects.

Specifically:

- A. Current operating expenditures will be paid for with current operating revenues.
- B. The Town may establish an operating budget reserve fund, subject to appropriation, not to exceed five percent of the tax levy of the current fiscal year.
- C. Target an Unreserved Fund Balance (UFB) in the General Operating Fund of between 5 – 10% of the general fund operating expenditure budget.
- D. Target a minimum unrestricted Stabilization Fund balance of 5% - 17% general fund operating budget to provide for catastrophic and emergency expenditures, as well as an operating reserve in the event of deteriorating economic conditions and for use in providing liquidity and cash flow. Withdrawals from the general stabilization, when possible, are limited to the amount above the 5% minimum reserve target level. Also, as part of the budget process, specific restricted stabilization funds may be considered to provide resources for the maintenance or acquisition of facilities or equipment in order to reduce borrowing and related costs.
- E. Free Cash, being "the remaining, unrestricted funds from operations of the previous fiscal year including unexpended free cash from the previous year" according to the Division of Local Services (DLS) shall be targeted in the range of 2 to 5 % of the annual general fund budget. This can be accomplished through several methods to include budgets with conservative revenue projections, budget turn backs, or increasing revenues. Furthermore, recommendations for use of Free Cash shall avoid fully depleting the certified Free Cash of any given year so that the succeeding year's calculation can begin with a positive balance. In general, the use of Free Cash is focused on funding one-time expenditures (such as capital projects, snow and ice deficits, or emergencies), the building of appropriate reserves, or to offset unfunded liabilities.
- F. Retained Earnings for the Water and Sewer Enterprise Fund, which is maintained separately from the General Fund, shall aim for a reserve of up to 20%, or an amount approved by the DLS, of the operation's total budget but may be higher if major infrastructure improvements are necessary.
- G. Overlay Surplus is a reserve used to offset uncollected property taxes and other unrealized revenue resulting from property tax abatements and exemptions. At the end of each fiscal year, the Board of Assessors shall submit to the Town Manager and the Town Accountant, an update of the overlay reserve to include, but not be limited to, the gross balance, potential abatement liabilities, and any transfer to surplus. If the balance exceeds the amount of potential liabilities, the Select Board may request that the Board of Assessors vote to declare those balances as surplus and available for use by the Town for any lawful purpose.



# TOWN OF NORTON

## FINANCIAL POLICY MANUAL

### SECTION 9:

#### 9) Forecasting Policy

##### 9.1 Introduction:

The Forecasting policy is used to help determine revenue sources and expenditure strategies as part of the annual budget process and longer-range fiscal planning.

##### 9.2 Policy

The Town continuously looks to diversify its sources of revenue to improve its overall financial well-being. A balance between elastic and inelastic revenues is desirable to help offset potential adverse effects caused by inflation or other economic changes.

Specifically,

- A. The Town will try to avoid using one-time revenues, such as free cash, overlay surplus, or gifts, to fund ongoing or recurring operating expenditures. However, if they are used for such purposes, the following priority order is used subject to applicable rules, regulations, or laws:
  - Snow and Ice Deficits
  - General Stabilization Fund
  - Other Stabilization Funds
  - Capital Budget expenditures
  - OPEB Trust Fund
  - Other expenditures
- B. The Assessing Department will maintain property assessments for the purpose of taxation at full and fair cash value as prescribed by state law.
- C. Departments that charge fees will regularly review their fee schedules and propose adjustments as needed.
- D. The Town Manager and other Department Heads shall seek grants and other aid as may be appropriate and will carefully consider any related restrictive covenants or matching requirements (both dollar and in-kind) to determine the cost benefit of pursuing or accepting them.
- E. Revenue estimates may be adjusted throughout the process as they become available
- F. The Water and Sewer Enterprise shall strive to operate with a Balanced Budget (revenues matching expenses) or at a Budgeted Surplus (revenues exceeding budgeted expenses) to minimize any potential General Fund subsidies.



## **TOWN OF NORTON**

### **FINANCIAL POLICY MANUAL**

- G. By the third week of February the Town Manager creates a detailed budget forecast which may include a five-year projection of revenues and expenditures for all operating funds. This ensures that the Town's revenues are balanced and capable of supporting desired levels of services, forecasts for property taxes, local receipts, and state aid will be conservatively based on historical trend observations and will use generally accepted forecasting techniques and appropriate data. To avoid potential revenue deficits, estimates for local receipts are generally forecast at no more than 90% of the prior year's actual collections without substantial justification.
- H. Additional forecasting assumptions should include, but not necessarily be limited to, the following:
- Current levels of services will provide the projected baseline
  - Property taxes (absent overrides) will grow at the limits of Proposition 2 ½.
  - New growth will be projected conservatively
  - Local receipts and state aid will reflect current and anticipated economic cycles
  - Debt service on existing debt will be paid
  - Revenues will be built and maintained in accordance with the Financial Reserve policy
  - The Water & Sewer Enterprise fund will reimburse the general fund for indirect costs.
  - Costs that can be appropriately paid for by other approved funds shall be or costs that can be appropriately allocated to those funds will be reimbursed as provided for by rules, regulations, or law.



## TOWN OF NORTON FINANCIAL POLICY MANUAL

### SECTION 10:

#### **10) Grant Management**

##### 10.1 Introduction:

The Town's best interests are served through effective grant management to assure timely reimbursements and help prevent year-end account deficits. Also, as a legal contract, every grant agreement must be fulfilled in accordance with its prescribed terms and conditions, as well as all applicable federal, state, and local regulations as they may apply.

##### 10.2 Policy

All departments are encouraged to solicit grant funding for projects and programs consistent with their stated objectives and the Town's goals. All municipal grant applications in excess of \$5,000 must receive preapproval by the Town Manager to ensure that the department can meet the requirements of that grant which may include, but not be limited to, having sufficient staff, having sufficient resources to meet in-kind requirements, or retention/maintenance requirements.

Specifically,

- A. Copies of the Grant and the Grant Award must be provided to the Accounting Department prior to any receipt of funds. No department shall be allowed to expend grant funds until these requirements have been met. A Data National account will be established for each grant so that a complete and comprehensive detailed record of all receipts and expenditures can be maintained.
- B. The Town Manager may forward the grant application to Town Counsel for a legal review
- C. The Grant Project Manager (may be the department head, Town Manager, or other designated individual) is required to ensure that all expenditures are allowable and consistent with the grant award's requirements.
- D. Reimbursements shall be made as often as needed or in accordance with the grant guidelines to minimize the use of Town funds. Unless otherwise coordinated grant accounts should not have deficit balances as of June 30 of any year.
- E. Grant accounts should be closed as soon as practicable after the completion of the project. Grant accounts should not have deficits upon closing; however, if a grant account has been over-expended the expense will be applied to either the operating budget or an appropriation from another available/appropriate fund or funds.
- F. All grant activities are subject to audit by the Grantors, the Accounting Department, and the Town's independent auditor.



## TOWN OF NORTON FINANCIAL POLICY MANUAL

### SECTION 11:

#### **11) Indirect Cost Allocation Policy**

##### 11.1 Introduction:

The Town of Norton has both a Water and Sewer Enterprise Fund, where the funds are used to separately account for the municipal service of a proprietary nature, in this case Water and Sewer services, and those services provided to individual customers are charged in a manner similar to private services.

##### 11.2 Policy

MGL 44 §53F½ and IGR 08-101 has been used to develop the internal practices and operational policies herein which shall be kept up to date and amended as circumstances, such as regulatory changes, technology, and best practices dictate. The Water and Sewer Enterprise Fund has been established with the intent of being self-sufficient and the Water and Sewer Commissioners set fees and charges based on costs to be recovered (including capital costs, indirect costs, debt service, etc.)

Specifically, the Water and Sewer Department shall

- A. Submit its budget to the local executive (our Accountant or Town Manager) no later than 120 days prior to the beginning of the fiscal year (our W&S Department usually submits in accordance with the schedule as established for all Town Departments)
- B. Revenue sources and appropriations must be clearly identified
- C. Expenses appropriated in the General Fund MUST NOT be included in the Water & Sewer appropriation (no double booking)
- D. The budget is subject to appropriation (same as Town Departments)

##### 11.3 Enterprise Fund Indirect Cost Allocation Calculation

In accordance with MGL 44 §53F½:

*Indirect costs should be clearly set forth when the budget is adopted to avoid disputes later in the fiscal year. Ideally, it should be set forth in writing. Resolution of any disagreement is purely a local matter. The Director of Accounts may request documentation of the methodology and may reject if and/or the amount for tax rate certification purposes if deemed unreasonable.*

Indirect costs are those incurred by the General Fund on behalf of the Enterprise Fund and include, but is not limited to, Pension, Life Insurance, Health Insurance, Vehicle Insurance, Property Insurance, Unemployment, Workers Comp, Medicare, Legal services, Procurement, Personnel expenses, etc.

The methodology for determining Indirect Costs should be reasonable and calculated in a fair and consistent manner. The specific methodology is included as Appendix E.





## TOWN OF NORTON FINANCIAL POLICY MANUAL

### SECTION 12:

#### **12) Investment Policy**

##### 12.1 Introduction:

To achieve the highest possible, prudent, and reasonable rates of return, while also complying with appropriate GASB recommendations, the Town has established the following investment policy.

##### 12.2 Policy

The Treasurer/Collector invests funds in a manner that meets the Town's cash flow requirements, conforms to applicable laws, and follows generally accepted diversification, collateralization, and prudent investment principles regarding safety, liquidity, and yield. The Treasurer/Collector shall also comply with the principles outlined in the Investment Policy Statement published by the Massachusetts Collectors & Treasurers Association (MCTA).

Specifically,

- A. To preserve capital, the Treasurer/Collector will mitigate credit and interest rate risks by prudently selecting and diversifying investment instruments and depository choices.
- B. The investment portfolio should remain sufficiently liquid to meet all reasonably anticipated operating requirements without having to liquidate investments prematurely.
- C. To manage credit risks, the guidelines from MCTA should be adhered followed.
- D. To mitigate custodial risks, the Treasurer/Collector should review any financial institutions proven financial strength, capital adequacy, and overall reputation prior to any investment with that firm.
- E. To minimize concentration of credit risk a diversified investment portfolio should be maintained to minimize the impact of potential losses from any one type of security or firm
- F. To minimize interest rate risk the portfolio should invest in instruments of various durations.



## TOWN OF NORTON FINANCIAL POLICY MANUAL

### SECTION 13:

#### 13) Data National Access Policy

##### 13.1 Introduction:

The Town maintains its financial records using Avila and Data National and access to such system must be controlled for all employees as they are hired, change positions within the Town, leave the Town's employment, or are terminated.

##### 13.2 Policy

Upon the hiring, change of status, resigning, or termination of an employee, the following process should be followed:

- A. Town Manager, as the department that manages all of the hiring, changes, and terminations of employees, shall complete the Data National Access Authorization Form, attached as Appendix F, for all new hires and forward a copy to IT and Accounting so that a new account can be created for that employee
- B. The Town Manager shall complete the Data National Access Authorization Form for all suspensions, resignations, and terminations and forward a copy to IT and Accounting so access to any existing account can be discontinued.
- C. Department Heads shall complete the Data National Access Authorization Form for requested changes in access and forward a copy to IT and Accounting for updating.
- D. The Town Accountant, or their designee, shall annually review, normally in December, all of the accounting software users to ensure that the list is current and report any issues or discrepancies to IT and HR.



## TOWN OF NORTON FINANCIAL POLICY MANUAL

### SECTION 14:

#### **14) Procurement Conflict of Interest Policy**

##### 14.1 Introduction:

The Town has established the Procurement Conflict of Interest policy to ensure the integrity of the procurement and contract process and educate individuals on the process of Procurement and the screening of potential conflicts of interest.

##### 14.2 Policy

The Town is committed to ethical business practices, profession integrity, and compliance with all applicable procurement laws and regulations. Where there may be a conflict between the policy and M.G.L. 30b the provisions of the state law shall be followed.

- A. To comply with the state's Uniform Procurement Act (M.G.L. 30b), as amended in 2016, purchases for supplies or services between \$10,000 to \$50,000, unless an exception applies, requires the solicitation of three written quotes for contracts and those over \$50,000 require competitive sealed bids.
- B. A quote or bid process is not required when procuring supplies or services from vendors that are under state contracts or involved in regional cooperative purchasing agreements.
- C. The process for conducting a proper RFP (Request for Proposal), RFQ (Request for Qualifications) or Bid for Services/Supplies as well as the Chapter 30B Manual is available on the Mass.gov Office of the Inspector General website.
- D. To ensure decisions are made independently and impartially, Town employees and officials are expected to avoid any conflicts of interest or the appearance of one. A conflict of interest or the appearance of one must be disclosed to the Town and that individual may not participate in the process unless a written determination from the State Ethics Commission noting that the interest is not so substantial as to be deemed likely to affect the integrity of the goods or service that the Town may expect from that individual is received.



## TOWN OF NORTON FINANCIAL POLICY MANUAL

### SECTION 15:

#### **15) Reconciliation Policy**

##### 15.1 Introduction:

To ensure transactions are in balance, to help mitigate fraud, and to ensure general ledger accuracy, a variety of reconciliations are conducted. Failure to reconcile items such as Cash, Receivables, Payables, and Withholdings impinges the Town's ability to produce reliable reports, close the books, complete audits, and certify Free Cash as well as having other negative impacts upon the financial stability and reporting of the Town.

##### 15.2 Policy

Internal reconciliations to facilitate the accuracy of the Town's financial records include:

- A. Cashbook:
  - A Cashbook which reflects current and accurate information for all cash and assets is maintained by the Treasurer/Collector.
  - Receipts, disbursements, transfers, interest, and other activity in the accounts is generally recorded in both the Cashbook and Avila within 5 days of the transaction occurring.
  - Reconciliations between the Cashbook and the Bank statements generally occur within 5 days of receipt of the statement.
  - The Treasurer/Collector or designee identifies all reconciling items, including deposits in transit, bounced and voided checks, and any other discrepancies to make corrections as appropriate.
  - The Treasurer/Collector or designee forwards the reconciled Cashbook balances with the supporting detail from Avila to the Town Accountant as appropriate for reconciliation with the General Ledger.
  - The Town Accountant shall advise the Treasurer/Collector of any discrepancies or adjustments that are discovered.
  - This reconciliation normally occurs on a monthly basis but should occur no less than Quarterly (quarters ending September, December, March, and June).
- B. Payroll Withholdings:
  - Payments for withholdings and deductions, such as federal and state taxes, legal obligations, deferred compensation, insurances, dues, or other deductions, are automatically issued through Harpers Payroll Services.
  - The Treasurer/Collector, as noted in the MCTA Treasurers Manual, should reconcile payroll deductions monthly to make certain that the amount deducted from individual employee checks equals the aggregate amount transmitted to the respective agencies or groups.
- C. Accounts Receivable (AR):
  - Accounts Receivable are outstanding monies owed to the Town such as committed bills (i.e. taxes and excises) or from uncommitted department invoices



## TOWN OF NORTON

### FINANCIAL POLICY MANUAL

(department details.) Any individual with accounts receivable duties should make certain that all cash receipts are recorded timely, maintain detailed records of the receivables, and reconcile those accounts on a regular basis to their department records.

- Individuals with AR duties shall also provide their internal reconciliations to the Accounting Department for reconciliation to the general ledger on the schedule as noted below unless otherwise requested/coordinated by the Accounting Office:
  - Tax AR: Monthly
  - Police Details: June and December or as requested/coordinated
  - Other Dept. Details: June and December or as requested/coordinated
  - Chapter 90: June or as requested/coordinated
  - School (All Accounts): June and requested/coordinated
  - Other Accounts: June and requested/coordinated

- D. If any AR account does not reconcile with the general ledger, the Town Account or designee will:
- Review the commitments, charges, payments, abatements, refunds, reclassifications, and other adjustments in the general ledger.
  - Verify the accuracy of the entries
  - Determine and document the reason for any variance and take corrective action as needed.



## TOWN OF NORTON FINANCIAL POLICY MANUAL

### SECTION 16:

#### **16) Revenue and Turnover Policy**

##### 16.1 Introduction:

To safeguard Town assets and maximize cash flow receipts shall be turned over on a regular basis and the established policies aim to provide reasonable assurance that the Town's revenues are properly and timely secured, recorded, and deposited in Town bank accounts.

##### 16.2 Policy

All department heads are responsible for instituting and using internal controls to ensure that all receipts are recorded accurately, kept secure from loss or theft, and turned over timely to the Treasurer/Collector at least weekly or more frequently if needed.

Specifically

- A. When receiving payments, pre-numbered or automated receipts should be generated and issued to the payer even if they prefer not to have one. The Treasurer/Collectors office receiving taxes and other collections need only issue receipts for cash payments. All receipts should be secured until such time as they are turned over to the Treasurer/Collector.
- B. Each department should, to the extent practicable, identify separate individuals to receive and endorse payments and turnover the receipts.
- C. The Town of Norton Turnover of Department Payments to the Treasurer form is completed by each department separating cash from checks, using the correct charge codes, and checked for accuracy before being presented to the Treasurer/Collectors office
- D. The Treasurer/Collector's office double checks the accuracy of the turnover and fills out and executes the bottom of the form.
- E. The Treasurer/Collector's office reviews turnover documents and receipts, posts the receipts in the Cashbook, creates a deposit package, and deposits the revenues at the bank.
- F. As part of the Town's Reconciliation Policy, the Treasure/Collector reconciles the cashbook with bank statements and provides a summary of cashbook balances to the Accounting Department on a monthly basis.
- G. All cash activity is subject to testing and review by the Accounting Department and/or the Town's independent auditor.



## TOWN OF NORTON FINANCIAL POLICY MANUAL

### SECTION 17:

#### **17) Tailings Policy**

##### 17.1 Introduction:

To minimize the liability posed by uncashed checks and the associated negative impact of cash positions the timely resolution of tailings is required.

##### 17.2 Policy

Tailings refer to issued but uncashed checks which represent a liability on the Town's books and constitute unclaimed property under M.G.L.

Specifically,

- A. Accounts Payable checks are marked "Void if not cashed within one year of issuance" on the face of the check.
- B. The Treasurer/Collector and Town Accountant work together on a regular basis to resolve accumulated tailings.
- C. The Treasurer/Collector maintains an outstanding check log and this is reviewed on a periodic basis so that the Treasurer/Collector, Accounting, or the department that is responsible for the check being issued can contact employees or vendors as may be appropriate to determine why the check is uncashed.
- D. On an annual basis, the Treasurer/Collector reviews the accumulated tailings and does the following, or as prescribed by M.G.L.:
  - Sends a letter to the payee. This letter includes the payee names, the process to claim funds, and establishes the deadline for claims.
  - After such deadlines have passed, the list of unclaimed property is provided to the Accounting Department so that the checks can be voided and the tailing liability in the general ledger updated.
- E. All activity related to tailings is subject to audit by the Accounting Department and/or the Town's independent auditor.





## TOWN OF NORTON FINANCIAL POLICY MANUAL

### SECTION 18:

#### **18) Tax Enforcement Policy**

##### 18.1 Introduction:

To provide guidance for equitably enforcing tax obligations and setting appropriate expectations for all parties, the following policy defines the transition from unpaid property taxes to tax title to foreclosure.

##### 18.2 Policy

To fulfill its fiduciary duties to all taxpayers, the Town shall timely pursue all legal methods to collect taxes from delinquent property owners.

Specifically,

- A. Demands are issued at the end of the fiscal year to all assessed property owners who have failed to pay in full, have not been granted full exemptions, and/or do not have automatic stays on record due to bankruptcy filings.
- B. If full remittance is not received, the Treasurer/Collector publishes a Notice of Tax Taking in at least one local paper and also posts the notice in the public notice area of the Town Hall.
- C. For properties that remain delinquent, the Treasurer/Collector prepares an Instrument of Taking form and records it at the Registry of Deeds to perfect the Tax Lien. A copy of the List of Recorded Takings is provided to the Accounting Department.
- D. After the demand bill and before August 15<sup>th</sup> of each year, the Treasurer/Collector will certify all unpaid taxes and charges for real estate taken into tax title for non-payment of taxes and put them in a Subsequent Tax Takings list. A copy of the list is provided to the Accounting Department .
- E. All delinquent taxpayers are subject to charges, which the Treasurer/Collector 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.
- F. Tax Title Payment Agreements may be pursued and established by the Treasurer/Collector and delinquent taxpayers to allow for the payoff of their liens over time. The Treasurer/Collector will actively monitor compliance of all such agreements. These agreements generally contain the following:
  - An executed agreement between the Treasurer/Collector and the Taxpayer
  - A specific amount to be paid each month
  - Incorporation of payments for the current tax bill
  - Agreement term not to exceed five years



## **TOWN OF NORTON FINANCIAL POLICY MANUAL**

- G. The primary goal of the Foreclosure process is to receive the outstanding amounts owed. For tax title properties that are not active, have payment agreements, or bankruptcy recordings, the Treasurer/Collector will refer them to the tax title attorney in accordance with all applicable rules, regulations, or laws. If a taxpayer or other party pays the outstanding amount, the Treasurer/Collector prepares and Instrument of Redemption and files it at the Registry of Deeds to remove the lien.



## TOWN OF NORTON FINANCIAL POLICY MANUAL

### SECTION 19:

#### **19) Tax Recapitulation Policy**

##### 19.1 Introduction:

As the property tax levy is the largest source of revenue for the Town, timely and accurate annual Tax Recapitulation, or Tax Recap, helps ensure compliance with state statutes, prevents workflow disruptions in the financial offices, and avoid any potential temporary borrowing costs associated with cash shortfalls.

##### 19.2 Policy

The tax recap forms and schedules present the Town's annual budget plan for the fiscal year and by completing the tax recap and receiving approval from DLS, the town can establish its property tax levy and set the tax rate for the year. The Town may issue actual tax bills only after DLS reviews the tax recap and approves the tax rate.

- A. Town Meeting- The Recap process starts at Town Meeting where the following actions are accomplished:
  - The Select Board, through the Town Manager and Town Counsel, produces the town meeting warrant that includes the next fiscal year's annual balanced budget for approval by vote of the taxpayers in attendance.
  - The annual increase in the tax levy presented does not exceed the maximum amount allowed under Proposition 2 ½ unless an override is required.
  - The Select Board, through the Town Manager, Town Counsel, and other Department Heads as appropriate, ensures that any proposal for a general override, debt exclusion, or capital exclusion is properly presented in the town meeting warrant and, if passed, put to a town-wide referendum.
  - The Town Manager, Treasurer Collector, and Town Counsel will ensure any debt issuance authorizations are proper
  - Additionally, as the budget is typically adopted at the annual town meeting in May, all appropriations and borrowings approved at this or other town meetings not recorded in the previous tax rate must be included in the current tax recap process.
- B. Recording Legislative Actions:
  - The Town Clerk certifies all appropriations since the last tax rate was set
  - The Town Clerk and/or the Accounting Department will enter all town meeting appropriation votes by article into the DLS Gateway system
  - The Town Accountant also completes the following forms:
    - Enterprise receipts and appropriations (A-2)
    - Revolving Funds (A-3)
    - Free Cash used (B-1)
    - Available funds used (B-2)
    - Indirect costs for the Water and Sewer Enterprise fund (A-2 part 2b)



## TOWN OF NORTON

### FINANCIAL POLICY MANUAL

- The Treasurer/Collector and/or Town Accountant will prepare the debt exclusion report, including any use of reserved bond premiums (DE1) and report any reserved bond premium amounts used as funding sources (B-2).
- C. At the Close of the Fiscal Year:
- When the figures are available, the Town Accountant continues the recap by
    - identifying and reporting all deficits or other expenditures that must be funded including debt and snow and ice (Tax Recap pg. 2)
    - recording the actual amounts for local receipts (Tax recap pg. 3 and A-2)
    - enters estimated local receipts (Tax recap pg. 3 and A-2)
- D. Property Value Certification:
- The Assessors must value all taxable real and personal property and classifies each property into four classes (residential, open space, commercial/industrial, or personal and completes the following actions which are then submitted to DLS for review and certification:
- Completes the property sales report (LA-3) for all sales over \$1,000 and submits it to DLS for approval
  - Analyzes current market conditions and sets final property values in compliance with DLS certification standards.
  - Reports the total assessed valuation for real and personal property by class (LA-4 and Tax Recap pg. 1)
  - Reports the fiscal year tax base growth used to determine the levy limit under Proposition 2 ½ (LA-13 and Levy Limit Worksheet)
  - Update an omitted or revised assessments that included growth (LA13A and Levy Limit Worksheet)
- E. Tax Rate Setting:
- After DLS has certified property values, the Select Board will hold a public hearing to decide tax policy. For this meeting the following is completed:
- The Assessing and Accounting Department s prepare an overlay analysis (OL-1)
  - The Board of Assessors estimates and votes the amount of overlay
  - The Select Board votes on exemptions
  - The Select Board acknowledges the excess levy capacity (LA-5)
  - The Town Clerk attests to notice having been given to taxpayers regarding the public hearing (LA-5)
- F. Submission to DLS:
- Subject to the completion of all of the required elements, the Assessor and the Town Accountant review all of the schedules, verify signatures, and verify that all proper documentation is attached to the DLS forms.
- G. Tax Commitment Creation:
- Upon notification from DLS that the tax rate is approved, the Assessor will create a tax commitment list and warrant duly signed by the Board of Assessors and refers it to the Treasurer/Collector so that the actual tax bills can be generated.



## TOWN OF NORTON FINANCIAL POLICY MANUAL

### SECTION 20:

#### 20) Town Credit Card Policy

##### 20.1 Introduction:

##### 20.2 Policy

In order to ensure the best benefit to the Town, the following procedures are established for the use of an issued credit card

- A. The department issued the credit card is responsible for the security and proper use of the Card. All theft or lost cards must be immediately reported to the Accounting Department.
- B. The individual using the card will be personally responsible for any charges they make that are disallowed by the Accounting Department as fraudulent, unlawful, or excessive.
- C. The Department Head must ensure that the Card payment is processed in full each payment cycle and that a proper a/p warrant with all receipts has been prepared.
- D. Cards may only be used for legitimate Town purposes and may not be used for (and this list is not all inclusive):
  - Cash
  - ATM transactions
  - Checks
  - Gift Cards
  - Personal use or Personal items
  - Alcohol or Tobacco
  - Legal Services
- E. Use by other employees for Town purposes may be approved on the department's Card through a one-time use function (for example-air fare for approved travel or securing lodging). All of the other conditions and restrictions are still applicable.
- F. The issuance and continued use of the Card is subject to the sole discretion of the Town Accountant.
- G. All use of the Card is subject to testing and audit by the Town Accountant and the Town's independent auditor.



## TOWN OF NORTON FINANCIAL POLICY MANUAL

### SECTION 21:

#### **21) Town Reimbursement Policy**

##### 21.1 Introduction:

To mitigate opportunities for fraud, waste and abuse, reimbursement policies have been established to govern reimbursement policies for town official and employees.

##### 21.2 Policy

Unless otherwise provided for by specific contract, the Town reimburses officials and employees for reasonable expenses incurred in the execution of their duties on behalf of the Town.

Specifically,

- A. Travel reimbursements are provided for activities that relate to a public benefit such as training, professional conferences, or other municipal related activities.
- B. Travel shall be planned to use the most economical mode and class of transportation reasonably available and the most direct and time-efficient route. If reimbursement is made in advance, at the sole discretion of the Accounting Department, for attendance at training, conferences, workshops, etc. and attendance is not completed for any reason, reimbursement to the Town for those related expenses may be required.
- C. The Town will not reimburse or pay sales tax but will pay meals and room excise taxes. Meals that are deemed to be excessive may be reimbursed at a lower more reasonable amount at the sole discretion of the Accounting Department. Tips for meals will not be reimbursed for any amount over 20%.
- D. The following expenditures will not be reimbursed under any circumstances:
  - Alcohol and tobacco products
  - Costs associated with political or charitable events
  - Expenses incurred by or on behalf of individuals who are not Town employees
  - Expenses incurred for the sole benefit of the traveler such as entertainment, laundry services, etc.
- E. If lodging is required, the Town will reimburse for only one-night preceding authorized travel and expenses must not exceed the group rate published by the conference or activity sponsor.
- F. Travel expenses must be documented and receipts provided for reimbursements to be processed. The mileage rate for the use of personal vehicles for official travel in the most current rate approved by the Internal Revenue Service (IRS).
- G. Unless otherwise coordinated, reimbursements should be made within 30 days of the incurrence of the expense.



## **TOWN OF NORTON FINANCIAL POLICY MANUAL**

- H. The Town Accountant may refuse to pay any claim that is deemed to be fraudulent, unlawful, or excessive. If a claim is refused, the Town Accountant will file a written statement of the reason for refusal with the Treasurer/Collector.
- I. All expenses are subject to verification that they comply with this policy and to audit by the Town's independent auditor.





## TOWN OF NORTON FINANCIAL POLICY MANUAL

### SECTION 22:

#### 22) Year End Closing Policy

##### 22.1 Introduction:

As part of the annual accounting cycle, the Town must properly close its books after each fiscal year and failure to adhere to a timely schedule may result in delays in accounting workflow, budget development, state required reporting, and certification of Free Cash.

##### 22.2 Policy

Department heads are responsible and accountable for the timely and accurate completion of year end tasks. Coordination between the departments and the accounting office is essential for the timely closing of the Town's books.

- A. Monthly reviews and reconciliations of revenue and expenditure accounts should be occurring on a regular basis with reports of discrepancies reported to the Accounting Department
- B. No later than April, a year-end reminder letter from the Accounting Department will be sent to all departments to remind them of the year-end expectations.
- C. In April, a review of all capital project accounts will be performed to ensure that any necessary borrowing is completed for short or long term debt issuances.
- D. At the end of the fiscal year, any appropriation deficits that may not be rectified through line-item transfers as authorized by Town By-laws will be submitted to the Finance Committee and Select Board for authorization of year end transfers or to the Finance Committee for Reserve Fund transfers
- E. In June, all departments should be keeping track of their purchases for goods and services so that an accurate notification of pending obligations (year-end encumbrances) for goods and services ordered by not yet received or delivered can be provided to the Accounting Department. Departments should endeavor to have no encumbrances.
- F. All current fiscal year bills must be presented for payment to the accounting office no later than the date identified in the accounts payable schedule or as advised by the accounting office so that they may be paid no later than July 15. Bills received after the deadline will be refused payment and the Department Head will have to request payment at a subsequent town meeting.
- G. Submissions to the Division of Local Services (DLS) should comply with the time frames identified by the DLS.



## TOWN OF NORTON FINANCIAL POLICY MANUAL

### Appendix A Reference List

#### **Antifraud Policy:**

- M.G.L. c 149, §185
- COSO (Committee of Sponsoring Organizations) <https://www.coso.org/>
- Government Finance Officers Association Best Practices: Whistleblowing

#### **Budget Policy:**

- Massachusetts Division of Local Services (DLS) Best Practices: Annual Budget Process in Towns
- Government Finance Officers Association Best Practices: Recommended Budget Practices, Financial Forecasting in the Budget Preparation Process, Budget Monitoring

#### **Capital Planning Policy:**

- M.G.L. c 44, §20
- M.G.L. c 44, §33B
- DLS Best Practices: Presenting and Funding Major Capital Projects
- Government Finance Officers Association Best Practices: Capital Planning Policies

#### **Contingent (Unfunded) Liabilities Policy:**

- M.G.L. c 44, §33B

#### **Debt Management Policy:**

- M.G.L. c 41 & 44
- DLS Best Practices: Understanding Municipal Debt
- DLS Borrowing Guidelines: Asset Useful Life – Borrowing Limits
- DLS Informational Guideline Releases 17-21: *Borrowing* and 17-22: *Premiums and Surplus Proceeds for Proposition 2½ Excluded Debt*
- Government Finance Officers Association Best Practices: Debt Management

#### **Disbursement Policy:**

- M.G.L. c 41, 44, & 30B
- DLS City & Town Newsletter dated February 2006 (included as Appendix D)

#### **Financial Reserves and Liquidity Policy:**

- M.G.L. c 41, 44, & 59
- DLS Best Practices: Free Cash and Special Purpose Stabilization Funds
- DLS Best Practices: Reserve Policies
- DLS Departmental Procedure Manual: Enterprise Funds
- DLS Informational Guideline Releases 17-20: Stabilization Funds and 17-23: Overlay and Overlay Surplus



## **TOWN OF NORTON FINANCIAL POLICY MANUAL**

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

### **Forecasting Policy:**

- M.G.L. c. 44
- DLS Best Practices: Revenue and Expenditure Forecasting
- Government Finance Officers Association: Establishment of Strategic Plans, Long Term Financial Planning, Financial Forecasting in the Budget Preparation Process

### **Grant Management Policy:**

- M.G.L. c 40, 41, & 44
- DLS Best Practices:
- Government Finance Officers Association Best Practices: Establishing an Effective Grants Policy and Grants Administration

### **Indirect Cost Allocation Policy:**

- M.G.L. c 149, §185
- Government Finance Officers Association Best Practices: Indirect Cost Allocation

### **Investment Policy:**

- M.G.L. c 29, 44, 167, & 203C
- Government Finance Officers Association Best Practices: Investment Policy

### **Procurement Conflict of Interest Policy:**

- M.G.L. c 41, 268A, & 30B
- State Ethics Commission webpage: Disclosure Forms for Municipal Employees

### **Reconciliations Policy:**

- Division of Local Services (DLS) Best Practices: Reconciling Cash and Receivables
- Massachusetts Collectors & Treasures Association: Treasurer's Manual and Collector's Manual

### **Revenue Turnover Policy:**

- M.G.L. c 41 & 44
- Massachusetts Collectors & Treasures Association: Treasurer's Manual and Collector's Manual
- Government Finance Officers Association Best Practices: Revenue Control Policy

### **Tailing Policy:**

- M.G.L. c 200A
- Massachusetts Collectors & Treasures Association: Treasurer's Manual

### **Tax Enforcement Policy:**

- M.G.L. c. 60



## TOWN OF NORTON FINANCIAL POLICY MANUAL

- DLS Best Practices: Enforcing Collections
- Massachusetts Collectors & Treasures Association: Treasurer's Manual and Collector's Manual

### **Tax Recap Policy:**

- DLS Training Publication: New Officials Financial Handbook and Course 101 Handbook
- DLS Best Practices: Overrides and Exclusions
- DLS Best Practices: Revenue and Appropriation Deficits

### **Town Reimbursement Policy:**

- M.G.L. c 41, 44 & 268A
- DLS City & Town Newsletter dated February 2006 (included as Appendix D)

### **Year-End Closing Policy:**

- M.G.L. c 44 & 59
- DLS Informational Guideline Releases 17-13: Appropriation Transfers
- Massachusetts Modernization Act of 2016
- Government Finance Officers Association Best Practices: Timely Financial Reporting

### **Other General Valuable Resources:**

- GASB 34 Guide for Massachusetts Local Governments
- DLS Municipal Finance Glossary
- Massachusetts Department of Elementary and Secondary Education  
<http://www.doe.mass.edu/>
- DLS-A Manual for the Uniform Massachusetts Accounting System, July 2014
- Municipal Modernization Act FAQs-DLS City & Town Newsletter dated October 6, 2016



## **TOWN OF NORTON FINANCIAL POLICY MANUAL**

### **Appendix B Town of Norton By-Laws**

**The most current copy of all applicable By-Laws is available by contacting the Town Clerk's office during normal working hours and also on the Town of Norton web page at [nortonma.org](http://nortonma.org)**



## **TOWN OF NORTON FINANCIAL POLICY MANUAL**

### **Appendix C Town of Norton Personnel Policies and Procedures**

**The Personnel Policies and Procedures contained herein are provided as a reference but may not include the most recent changes approved. The most current copy of all applicable personnel related documents is available by contacting the Assistant to The Town Manager during normal working hours or on the Town of Norton website at [nortonma.org](http://nortonma.org)**



## **TOWN OF NORTON FINANCIAL POLICY MANUAL**

### **Appendix D**

**Copy of DLS City & Town Newsletter dated February 2006**

**Proper public purchases**



# **TOWN OF NORTON FINANCIAL POLICY MANUAL**

## **Appendix E**

**Detailed Methodology for the determination of**

**Water & Sewer Enterprise Fund**

**Indirect Cost Allocation**





## TOWN OF NORTON FINANCIAL POLICY MANUAL

### Appendix F- Municipal Software Access Form

*This form is filled out by HR upon the hiring, change of status, resigning, or termination of an employee. The form is reviewed and also executed by Accounting for concurrence and then a copy is forwarded to IT for execution of the request.*

<b>Employee Information:</b>	
<b>Name</b>	
<b>Department</b>	
<b>Position</b>	
<b>Data National User ID</b>	

<b>Access Authorization:</b>					
<b>Add user</b>		<b>Change Status</b>		<b>Suspend User</b>	
<b>Effective Date:</b>					
Reason/Notes/Comments (additional details regarding request as needed):					

<b>Access Permissions:</b>			
Staff Level		Dept Head Level	
Management Level		Accounting/IT Level	
<i>Special Permissions required:</i>			
Permission		Justification	
Permission		Justification	
Permission		Justification	

<b>Signatures:</b>			
	Print Name	Signature	Date
HR			
Accounting			