



## Town of Marblehead



## *Financial Policies*





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## Town Financial Policies

The purpose of financial policies is to provide the Town with an underlying foundation for fiscal decision-making and with guidelines that will:

- Remain consistent from year- to-year and thereby enhance stability and continuity in government.
- Promote sound annual budget practices and accountability in government.
- Advance the achievement of long-term town-wide goals, including capital investment.
- Provide for the maintenance of reserves so that the town is well-positioned to address emergency or unforeseen events.
- Protect the town's bond rating and in turn reduce its borrowing costs and thereby minimizing the burden on taxpayers.
- Instill confidence among residents that taxpayer dollars and other town resources are spent wisely and responsibly.
- Reflect actions intended to help retain and enhance the character of the town and quality of life in it for residents.



## **Approval & Review of Policies**

The financial policies of the Town take effect upon the review and formal approval of the Select Board and Finance Committee. Recommended policies can originate from the Finance Director, a department head, or appointed board or committee which reports to the Select Board. Elected boards, committees or commissions often set policy for the departments they oversee.

The financial policies of the Town should be reviewed periodically on vote of the Select Board and by the Finance Committee, or by the board, committee or commission overseeing a department.

The Finance Committee should be charged, each year during the budget process, to determine whether the operating and capital budget recommendations presented to it for review comply with the financial policies of the Town.

The financial policies contained herein will be reviewed by both the Town Select Board and Finance Committee and then subsequently adopted by the Town Select Board.



## Budget Guidelines

Implementation of a well-founded budget process is a measure by which residents often gauge the performance of municipal government. The budget document itself is a mechanism for communicating town revenue setting policies, spending priorities and financial goals. A consistent budget process sets clear expectations for department heads and valuable predictability for residents from year-to-year. **To advance these worthwhile goals, a separate detailed Budget Policy was created.**

The budget process is a continuous, cyclical process that is the means by which local officials and Town Meeting decide how and where available municipal funds will be spent. At the Annual Town Meeting in May, the Select Board and the Finance Committee present the recommended budget to Town Meeting who as the legislative body vote on the budget. Following Annual Town Meeting and throughout the year, departments monitor their spending and keep expenses within their approved budgetary line items. **Below are the Budget Guidelines:**

- The annual budget development will consistently follow a process where roles and responsibilities are clear.
- A balanced annual operating budget will be presented at Town Meeting for its approval.
- Efforts will be directed to produce a budget which is structurally balanced, that is, where recurring revenues fully fund recurring expenditures.
- One-time, or non-recurring, revenue will not be used to support recurring expenditures, but will be reserved for capital, emergency, or other one-time spending purposes.
- Revenue projections will be conservative with the intent to maximize the Town's ability to maintain Free Cash levels.
- Departmental appropriation requests in the spring will represent amounts needed to fund respective programs and services for the entire ensuing fiscal year.
- No department, board, committee, commission, or person with spending authority will knowingly incur an appropriation deficit, which is not already permitted by law.

- Free Cash certified will not be used to supplement department budgets approved in the Spring, instead it will be retained as a reserve for use in case of emergency or significant unforeseen circumstances or one-time capital needs.

## Financial Reserves Policies

Formal written policies that establish guidelines for funding and maintaining reserves assists a Community with sustaining operations during difficult economic periods. Reserves can be used to finance unforeseen or emergency needs or to hold money for specific future purposes.

Reserve balances and policies can also positively impact a community's credit rating and consequently, the long-term cost to fund major projects. The discussion of reserves, and the attention of credit rating agencies, is generally focused on free cash, stabilization funds, and, sometimes, overlay surplus. Therefore, the Town shall establish the following prudent financial goals and policies for funding and maintaining reserves.

Like all towns, Marblehead General Fund revenues are derived from property taxes, state aid and local receipts. However, the Town benefits from other revenues which include indirect costs and any other unexpected revenue.

FY	Tax Levy	State Aid	Local Receipts	All Other	Total Receipts
2019	67,829,212	7,469,266	16,121,245	9,190,592	100,610,315
2020	69,813,033	7,685,986	15,712,783	10,085,343	103,297,145
2021	72,377,500	7,911,300	15,454,954	7,398,125	103,681,879
2022	76,282,235	8,265,337	15,521,579	10,314,208	110,383,359
2023	79,085,270	8,289,613	18,380,404	11,090,789	116,846,076

## Overall Goal

It shall be the overall goal of the Town to maintain a combined reserve level from all sources of no less than five (5%) percent of the annual General Fund revenues with preferred target of seven (7%) percent.

## Free Cash Policy

Free cash refers to the remaining year-end balance of the Town's General Fund determined to be unreserved and undesignated, and not offset by deficits. Primary sources of Free Cash are revenues in excess of projections and unexpended departmental appropriations as of June 30th. Free Cash is available for appropriation only after it is certified by the State Department of Revenue's Division of Local Services based on a balance sheet and other documents submitted by the Town.

Between FY19 and FY23, certified Free Cash ranged from \$12,675,462 (2019) to \$9,079,739 (2023) and ten (10.2) percent of General Fund revenues on average. In FY2022 and FY2023, the Town generated \$10,772,495 and \$9,079,739 Free Cash, and 9.8 percent and 7.8 percent of General Fund revenues respectively.

FY	Revenues	Free Cash	% of Rev
2019	100,610,315	12,675,462	12.6%
2020	103,297,14	10,243,709	9.9%
2021	103,681,879	11,526,201	11.1%
2022	110,383,359	10,772,495	9.8%
2023	116,846,076	9,079,739	7.8%
avg	106,963,755	10,859,521	10.2%
high	(2023)	12,675,462	
low	(2019)	9,079,739	

It shall be the policy of the Town:

- To maximize opportunities to create Free Cash and to strive toward an annual Free Cash level of five (5%) percent or greater of annual General Fund revenues.
- To restrict the use of Free Cash, to the extent possible and practical, to one-time capital expenditures, and to build or replenish the Town's Reserves or Stabilization Funds.
- To restrict the use of Free Cash to fund the operating budget or other recurring expenditures.
- Further, the Town recognizes that circumstances may occur which would require the Town to raise or lower this minimum from time to time. The Town of Marblehead considers a balance less than 5% to require a formal review by the Chief Financial Officer and Town Administrator.



Funds in excess of the current Free Cash Policy may be:

- Added to the funding of any long-term liability. This will reduce the need for future contributions towards the pension fund or other post-employment benefit costs.

## **Enterprise Funds Retained Earnings Policy**

Target for this reserve is to be 5-7% of the Water, Sewer, and Harbor Enterprise Funds Budgets.

The Town recognizes that the financial health of the town is of paramount importance to its residents who receive essential services; to its bondholders who provide funding for long-term town projects; to its vendors who provide services and equipment to the Town; and to its current and retired employees. This Policy on Cash Reserves is designed to protect the community from sudden and unexpected changes in revenues or expenses.

## **Stabilization Fund Policy**

The General Stabilization Fund shall serve as the Town's main financial reserve for use in the event of an emergency or extraordinary need, as well as for other non-recurring and/or capital expenditures.

The Town's General Stabilization Fund was established FY2020 and first funded in FY2021, this policy was created to ensure this fund continues to be funded annually, at a minimum funding of \$250,000 per year.

FY	Revenues	Stabilization	% of Rev
2020	103,297,14	0	0.24%
2021	103,681,879	250,000	0.24%
2022	110,383,359	250,000	0.23%
2023	116,846,076	250,000	0.21%
avg	108,552,115	250,000	0.23%
high	(2023)	N/A	
low	(2020)	N/A	

It shall be the policy of the Town:

- To build and maintain a General Stabilization Fund balance equivalent to three (3) percent to five (5) percent of the Town's General Fund operating budget.
- This policy shall not apply to any special purpose stabilization fund created by the Town.

## **Finance Committee Reserve Policy**

The Finance Committee reserve is authorized by MGL Chapter 40, §6 for extraordinary and unforeseen expenditures.

- It shall be the goal of the Town to maintain a reserve fund under the provisions of MGL Chapter 40, Section 6 and to restrict its use to for extraordinary and unforeseen expenditures.
- It is the policy of the Town that all requests for a reserve fund transfer must first be submitted to the Finance Committee. The Select Board shall not act on any transfer request unless it has been duly presented to and reviewed by the Finance Committee.
- Any unexpended reserve fund balance at the end of the fiscal year shall revert back to the General Fund and toward the calculation of Free Cash.

## **Utility Reserve Policy**

There shall be a utility reserve for extraordinary and unforeseen rate changes or needed increased usage. Departments that need to utilize the funds shall:

- Request the funds from the Town Administrator and Finance Director with a memo and CC the Town Accountant.

## **Salary Reserve Policy**

There shall be a salary reserve for unexpected or unbudgeted retirements or employee departures. Departments that need to utilize the funds shall:

- Request the funds from the Town Administrator and Finance Director with a memo and CC the Town Accountant.

## **Departmental Transfer Requests**

Departments may request additional funds for the current fiscal year only for costs that arise or are unanticipated due to emergency or unforeseen circumstances.

All requests for fund transfers must be submitted first to the Select Board, which in consultation with the Finance Committee, shall determine whether:

- the cited circumstances qualify as emergency or unforeseen;
- alternatives exist for addressing the cited circumstances and cost; and
- the transfer request:
  - should be directed to the Finance Committee for a transfer from its reserve (MGL c.40 §6);
  - should be addressed as a line-item transfer submitted to the Select Board for approval in conjunction with the Finance Committee after May 1 and before July 15. (MGL c.44 §33B(b));
  - should be addressed as a line-item transfer submitted to the Annual or a Special Town Meeting for approval (MGL c.44 §33B).

# Debt Management Policy

## A. Purpose of policy and goals

The purpose of this debt policy is to establish a set of parameters by which debt obligations will be undertaken by the Town of Marblehead. This policy reinforces the commitment of the Town to manage the Town's financial affairs to minimize risks, avoid conflicts of interest and ensure transparency while still meeting the Town's capital needs. A debt policy signals to the public and the rating agencies that the Town of Marblehead approaches the financing of capital needs in a deliberate manner and fulfills the requirements of Chapter 44 of the Commonwealth of Massachusetts General Laws regarding the adoption of a debt policy.

The Town shall comply with legal requirements for notice and for public meetings related to debt issuance. All notices shall be posted in the customary and required posting locations including, as required, local newspapers, bulletin boards, and websites. All costs associated with each debt issue as well as, when applicable, a debt service schedule outlining the rate of retirement, shall be clearly presented, and disclosed to the Finance Committee, Select Board, and other stakeholders in a timely manner.

The Town Treasurer has statutory responsibility for initiating borrowings and overseeing the Town's debt obligations. Accordingly, a prerequisite for adopting this policy is its acceptance by the Treasurer.

These established guidelines for the Town, acting through the Treasurer, for issuing and managing its debt is intended to provide guidance regarding the purposes for which debt may be issued, types and amounts of method of sale that may be used, be incorporated. Adherence to a to ensure that government and that credit quality is protected.



permissible debt, timing and and structural features that may debt management policy helps maintains a sound debt position

It is the intent of the Town of the debt management policy to:

Marblehead to annually review

- ensure high quality debt management decisions
- impose order and discipline in the debt issuance process
- promote consistency and continuity in the decision-making process
- demonstrate a commitment to long-term financial planning objectives
- ensure that the debt management decisions are viewed positively by the rating agencies, investment community, and taxpayers

Massachusetts General Laws, Chapter 44, Sections 7 & 8 regulate the purposes for which municipalities may incur debt, and the maximum maturity for bonds issued for each purpose. MGL Ch. 44, Sec 10 specifies that the debt limit for towns is five (5) percent of Equalized Valuation. Various federal laws, regulations and agencies also have requirements with which the Town must comply.

## **B. Bond Rating**

The community's bond rating directly influences the rate of interest it pays when selling bonds and notes to raise funds as well as the level of market participation (number of bidders) it can expect. Other things being equal, the higher the bond rating, the lower the interest rate. Bond analysts including Standard & Poor's and Moody's typically look at the following four factors in assigning a credit rating:

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 percent 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 (CIP), the quality of accounting and financial reporting, etc.

The Town of Marblehead shall continually strive to maintain the highest bond rating through prudent debt management, sound financial procedures, healthy reserve levels and strong management practices.

### **C. Financing Purposes:**

The Town will consider term financing for the acquisition, replacement, and/or expansion of physical assets, and to refinance existing debt. Short-term issues may be used to finance certain projects and equipment and to support operational borrowing. However, the Town will minimize the use of short-term cash flow borrowings by maintaining adequate working capital and effective management of the budgeted expenditures. While the pay-as-you-go means of using current revenues to pay for capital projects is often considered the preferred means of financing because it avoids interest payments, it may not be entirely practical, given the size and timing of projects to meet the town's ongoing needs. However, the inclusion of a cash component in capital projects will be pursued whenever possible, provided fund balance and reserve policies are not compromised.

All debt will be issued and managed in accordance with Chapter 44 of the Massachusetts General Laws, and any other applicable state laws. The primary borrowing purposes are summarized below:

Debt will be issued for a capital project only when it is an appropriate means to achieve a fair allocation of costs between current and future beneficiaries and if a secure revenue source is identified to repay the debt. Debt service is limited to that portion of a project that is not reimbursable by State, Federal or local grants. Close coordination of capital planning and debt planning will ensure that the maximum benefit is achieved with the limited capital funds.

The debt management process will determine the availability of funds which can be raised through debt based upon the debt affordability analysis. The Town will analyze market conditions prior to debt issuance to determine the most advantageous terms. Debt financing schedules will be constructed to repay debt within a period not to exceed the expected useful life of the asset and will attempt to repay debt using a level principal repayment structure. The Town will maintain the flexibility to structure debt as it chooses in accordance with state law.

The Town Administrator, working with the Chief Financial Officer, will periodically evaluate the Town's existing debt and execute refinancing when economically beneficial, legally permissible, and prudent. A refinancing may include the issuance of bonds to refund existing debt or the issuance of bonds to refund other obligations. Net present value savings over the course of the refunding must be at least 3% (of refunded principal) for consideration.

It is understood that expenditure cycles do not always follow the revenue cycle and that short-term debt may be necessary to meet cash flow requirements. The Town may from time-to-time issue short-term debt that serves as interim financing pending the issuance of long-term debt to finance a completed capital project. This approach is particularly applicable in cases where a project depends upon a combination of reimbursable grant funding such notes may include:

Bond Anticipation Notes (BANs), a short term-interest-bearing note issued in advance of a future long-term bond issue.

The Town may enter into a capital lease agreement for the purchase of capital equipment and vehicles so long as the lease period does not extend beyond the useful life of the purchase.

For projects that are directly related to wastewater and drinking water infrastructure/construction/improvement or rehabilitation, the Town may opt to borrow funding directly from the Massachusetts Water Resources Authority (MWRA) revolving fund program.

#### **D. Arbitrage**

The Treasurer will generally co-mingle bond proceeds with other operating funds within bank accounts and investments unless there is a unique duration of a project or rate disadvantages are expected. These funds are subject to arbitrage regulation, due to the Town's tax-exempt bond status, which creates requirements for reporting of spending, spending schedules, and interest earnings.

Arbitrage Regulations relate to tax free debt issued by the Town, which means that the Town can borrow at rates well below market rates. At the same time, the federal government has issued regulations to prevent the Town from issuing debt with the goal of investing the borrowed funds at a higher rate of interest than that at which the money was borrowed or committing arbitrage. If the federal regulations are not followed, there are fines and penalties or the tax-free status of the debt issued by the Town could be jeopardized.

Bond proceeds shall be used within certain prescribed time frames. Expenditures of and interest earned on borrowed funds will be recorded and monitored using an approved tracking system by the Treasurer to prevent arbitrage, and to answer such questions as they arise.

General rules and time frames for spending borrowed funds in order to avoid having to pay a rebate to the Federal government on investment income earned on the borrowed funds. All funds must be used according to the following schedule or sooner:

1. CONSTRUCTION DEBT

First six months: 15%  
First year: 40%  
Eighteen months: 85%  
Two years: 100%

2. CAPITAL EXPENDITURES DEBT

First six months: 15%  
First year: 60%  
Eighteen months: 100%

Although the range of options for investment of bond proceeds is wider than the options for general funds, the Treasurer will invest and monitor bond proceeds with the same priorities for safety, liquidity, and yield, using the same types of investment devices and terms as defined in the investment Policy. This conservative approach allows for liquidity in the projected spending schedule of the project.

## **E. Debt Guidelines**

The Town shall employ a financial advisor and bond counsel to review and advise on all matters related to debt authorization and debt issuance. Should a capital project, infrastructure improvement, or capital equipment need require seeking an authorization to borrow funds, the benefitting party must provide comprehensive documentation to the Financial Team outlining the scope of the project, the cost of the project, the cash flow projection to complete the project, and any expected Federal, State or local grant awards or other funding sources.

a) All loan authorizations should be authored by bond counsel or, at a minimum, reviewed by bond counsel prior to submission to the Annual Town Meeting for approval.

b) Unless market conditions are extremely unfavorable, the Town will endeavor to sell all municipal bond and note issues by competitive bid. The competitive bid process guarantees the Town adequate exposure in the market and reasonable expectation that interest terms and rates are competitive.



c) The Town seeks to maintain the highest possible credit rating that can be achieved for debt instruments to attract quality investors and reduce interest costs. To enhance creditworthiness, the Town is committed to prudent financial management and systematic capital and long-term financial planning.

d) The Town will maintain good communications with bond rating agencies about its financial condition. The Town will adhere to a policy of full disclosure on every financial report and bond prospectus (official statement).

e) Long-term debt service for the water and sewer enterprise fund shall be included in the respective funds' annual budgets. The Town will periodically review and adjust rates for each enterprise to ensure sufficient funding for annual debt service payments.

f) Debt maturity is dictated by the limits set forth in MGL Chapter 44 as prescribed by Statutory Authority, Purpose, and Maximum Term. The Town shall endeavor to retire/refund debt whenever it is financially feasible, legally permissible, and advantageous for the Town.

g) The Town will monitor all municipal borrowings on a regular basis to ensure compliance with federal tax reform legislation and arbitrage limitations, but not less than every twelve months.

General Fund Debt Service: The Town recognizes that maintaining debt levels within supportable standards signifies a commitment to maintaining and improving its infrastructure, to controlling taxpayer burden and favorably impacts credit ratings. However, it is important to limit debt service costs as a percentage of the town's total revenue. Therefore,

1. It shall be the Town's policy to establish a debt service ceiling of (15) percent. The annual debt service payable on issued General Fund debt, including debt exclusions and after all subsidies, reimbursements and offsets are accounted for, shall not exceed fifteen (15) percent of the Town's annual General Fund revenue.
2. If by vote of the Select Board, an emergency or significant unforeseen circumstance is declared which can only be addressed through borrowing, the Town may exceed the debt service ceiling.
3. As control mechanisms:

- a. The Town will make efforts to incur new debt service in an amount no greater than the roll-off of previously scheduled debt service payments.
- b. The maturity, or term, on any bond issuance will not be greater than the anticipated useful life of what is purchased.
- c. The Town will strive to hold the average maturity on all bonds issuances to twenty years or less.
- d. The Town will make efforts to adopt debt service payment schedules where fifty (50) of principal in each issuance is paid-off half-way through the term of the bond.

# Investment Policy

Massachusetts General Laws require each Town, acting through its treasurer, to invest all public funds, except for funds intended for immediate distribution. Statutes set out for treasurers as well investment rules and guidelines for various town funds.

It is the intent of the Town of Marblehead to comply with all the investment requirements of and guidelines in state law and regulations that provide for prudent and productive investment of funds. The Town authorizes the Treasurer to act as the custodian and investment officer of Town funds and to invest the following funds in accordance with this policy, the provisions of Massachusetts General Laws ("MGL") Chapter 44, Sections 54, 55 and other applicable state statutes.

## **A. Scope**

This section of the policy applies only to short term operating funds such as general funds, special revenue funds, enterprise funds, bond proceeds and capital project funds. Section two will deal with trust funds, and any other funds with special circumstances such as stabilization funds.

## **B. Objectives**

Massachusetts General Laws, Chapter 44, section 55B requires the municipal treasurer to invest all public funds except those required to be kept un-invested for purposes of immediate distribution. Modern banking systems enable the public treasurer to maintain even these funds in interest bearing form until the date a disbursement order clears through the banking system. The state law further requires that invested funds are to be placed at the highest possible rate of interest reasonably available, taking account of safety, liquidity and yield. Therefore, these guidelines are intended to further the objective of securing the highest return that is consistent with safety of principal while meeting the daily cash requirements for the operation of the entity's business.

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital through the mitigation of credit risk and interest rate risk. These risks shall be mitigated by the diversification and prudent selection of investment instruments, and choice of depository. Credit risk is the risk of

loss due to the failure of the security issuer or backer. Interest rate risk is the risk that the market value of the security will fall due to changes in general interest rates.

Liquidity is the next most important objective. The overall investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Since all possible cash demands cannot be anticipated, the treasurer shall carry out investment activities in a manner that provides for meeting unusual cash demands without the liquidation of investments that could result in forfeiture of accrued interest earnings, and loss of principal in some cases.

Yield is the third, and last, objective. Investments shall be undertaken to achieve a fair market average rate of return, taking into account safety and liquidity constraints as well as all legal requirements.

### **C. Investment Instruments**

Note: Public investments in Massachusetts are not protected through provisions in State law. Therefore, they are largely uncollateralized. Many banking institutions are willing to put up collateral, albeit at a cost to the entity of a lower interest rate. The Treasurer negotiates for the highest rates possible, consistent with safety principles.

#### The Treasurer may invest in the following instruments:

- Massachusetts State pooled fund: Unlimited amounts (Pool is liquid)
- The Massachusetts Municipal Depository Trust (MMDT), an investment pool for state, local, county and other independent governmental authorities, is under the auspices of the State Treasurer and currently managed by Fidelity Investments. It invests in Bankers Acceptances, Commercial Paper of high quality, Bank Certificates of Deposit, Repurchase agreements (Repos), and U. S. Treasury Obligations. It has Federal Deposit Insurance Corporation (F.D.I.C.) pass-through insurance on the C.D.'s and takes delivery on the Repos and Treasuries. Under Government Accounting Standards Board Regulation (GASB III), it is not considered an uncollateralized product.
- U. S. Treasuries that will be held to maturity: Unlimited amounts (Up to one year maturity from date of purchase)
- U.S. Agency obligations that will be held to maturity. Unlimited amounts (Up to one year maturity from date of purchase)

- Bank accounts or Certificates of Deposit, hitherto termed C.D.'s. (Up to one year) which are fully collateralized through a third-party agreement.
- Bank accounts and C.D.'s (Up to one year) insured by F.D.I.C. up to \$250,000 limit. All bank accounts and C.D.'s in one institution are considered in the aggregate to receive the insurance coverage. In some cases, Banking Institutions carry additional insurance, Depository Insurance Fund of Massachusetts (D.I.F.M): Contact banking representative for amounts of coverage.

Unsecured bank deposits of any kind such as other checking, savings, money market, or Certificates of Deposit accounts at Banks that do not fit the above categories. These investments are subject to the following limitations:

- These investments will be limited to no more than 5% of an institution's assets and no more than 10% of a municipality's cash.
- Their credit worthiness will be tracked by Veribanc, Sheshunoff, or other bank credit worthiness reporting systems.
- They will be diversified as much as possible. C.D.'s will be purchased for no more than three months and will be reviewed frequently.
- Money Market Mutual Funds that are registered with the Securities and Exchange Commission that have received the highest possible rating from at least one nationally recognized statistical rating organization and as otherwise referenced in the Massachusetts General Law Chapter 44 Section 55.

#### **D. Diversification**

Diversification should be interpreted in two ways:

in terms of maturity as well as instrument type and issuer. The diversification concept should include prohibition against over concentration of maturities as well as concentration in a specific institution. Except for U.S. Treasury obligations or investments fully collateralized by U.S. Treasuries or agencies, and State pools (MMDT), no more than 30% of the Town's investments shall be invested in a single financial institution.

#### **E. Authorization**

The Treasurer has authority to invest municipality funds, subject to the statutes of the Commonwealth Massachusetts General Law Chapter 44 Section 55,55A, & 55B.

## **E1. Authorized Financial Dealers and Institutions**

Financial institutions should be selected first and foremost with regard to safety. The Treasurer's office shall subscribe to and use one or more of the recognized bank rating services, such as Veribanc or Sheshunoff. Brokers should be recognized, reputable dealers. When using the Veribanc rating service the Treasurer may invest in such banks that show a green rating in a particular quarter. If a rating is yellow the Treasurer should contact the appropriate banking institution and request in writing an explanation of the change in rating and the expected timetable for it to be changed to green.

If for a second quarter such rating has not been corrected, the Treasurer should consider removing all funds that are not collateralized or carries some form of depositors' insurance. If a rating moves to red all money should be immediately collateralized or covered by some form of depositors' insurance or be removed from the banking institution.

Any brokerage houses and broker/dealers, wishing to do business with the municipality, are to supply the following information to the Treasurer upon request:

- Audited financial statements.
- Proof of National Association of Security Dealers certification.
- A statement that the dealer has read the municipality's investment policy and will comply with it.
- Proof of credit worthiness (minimum standards: at least ten years in operation and a minimum capital of 10 million dollars).
- An annual review of the financial condition and registration of qualified financial institutions and broker/dealers will be conducted by the investment officer.

## **F. Restrictions**

Chapter 44, Section 55 set forth the several restrictions that the Treasurer must be aware of when making investment selections.

A Treasurer shall not at any one time have on deposit in a bank or trust company an amount exceeding 60% of the capital and surplus of such bank or trust company, or banking company, unless satisfactory security is given to it by such bank or trust company, or banking company for such excess.

The treasurer shall not make a deposit in any bank, trust company or banking company that he/she is associated as an officer or employee or has been the same for any time during the three years immediately preceding the date of any such deposit.

All securities shall have a maturity from date of purchase of one year or less.

Purchases under an agreement with a trust company, national bank or banking company to repurchase at not less than original purchase price of said securities on a fixed date shall not exceed ninety days.

#### G. References

Massachusetts General Law Chapter 44, Section 55

Massachusetts General Law Chapter 44, Section 55A

Massachusetts General Law Chapter 44; Section 55B

## **II. The Investment of Trust Funds and Stabilization Funds**

This section of the policy applies only to funds that could be invested long term, i.e. trust funds and stabilization funds.

### **A. Scope**

This policy applies to all accounts that are designated as Trust Funds and Stabilization Funds. These funds include all accounts that are received as scholarships and perpetual care receipts. All accounts will be maintained separately receiving their proportionate interest and any realized and unrealized gains or losses. Trust Funds may be co-mingled and invested in any instruments allowed by the Commonwealth of Massachusetts list of Legal Investments Legal issued by the Banking Commissioner each July.

Each trust fund must be accounted for separately. Chapter 44 Section 54 sets forth that Treasurers may invest in instruments that are legal for savings banks. This list of investments is included in the Commonwealth of Massachusetts List of Legal Investments, Chapter 167 Section 15A.

## **B. Authority**

Massachusetts General Law Chapter 44, section 54 pertains to the investment of Trust Funds. All trust funds shall fall under the control of the Treasurer unless otherwise provided or directed by the donor.

## **C. Objective**

Massachusetts General Laws, Chapter 44, section 55B requires the Treasurer to invest all public funds except those required to be kept un-invested for purposes of immediate distribution.

This section also requires that invested funds are to be placed at the highest possible rate of interest reasonably available, taking account of safety, liquidity, and yield. Therefore, these guidelines are intended to further the objective of securing the highest return that is consistent with safety of principal while meeting the daily cash requirements for the operation of the entity's business.

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital through the mitigation of credit risk and interest rate risk. These risks shall be mitigated by the diversification and prudent selection of investment instruments, and choice of depository. Credit risk is the risk of loss due to the failure of the security issuer or backer. Interest rate risk is the risk that the market value of the security will fall due to changes in general interest rates.

Liquidity is the next most important objective. The overall investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Since all possible cash demands cannot be anticipated, the treasurer shall carry out investment activities in a manner that provides for meeting unusual cash demands without the liquidation of investments that could result in forfeiture of accrued interest earnings, and loss of principal in some cases.

Yield is the third, and last, objective. Investments shall be undertaken so as to achieve a fair market average rate of return, taking into account safety and liquidity constraints as well as all legal requirements.



## **D. Investment Instruments**

M.G.L. Chapter 44 section 54 states that money should be deposited into savings bank, trust companies incorporated under the laws of the commonwealth, banking companies incorporated under the laws of the commonwealth which are members of the Federal Deposit Insurance Corporation, or national banks, or invested in participation units in a combined investment fund under section thirty-eight A of chapter twenty-nine, or in a paid-up shares and accounts of and in co-operative banks, or in shares of savings and loan associations or in share or savings deposits of federal savings and loan associations doing business in the commonwealth.

Additionally, the Town may invest such funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the commonwealth; provided, that not more than fifteen percent of any such trust funds shall be invested in bank stocks and insurance company stocks, nor shall more than one and one-half percent of such funds be invested in the stock of any one bank or insurance company. Refer to the Commonwealth of Massachusetts List of Legal Investments.

The Treasurer may invest in the following instruments:

- U. S. Treasuries that maybe sold prior to maturity: Unlimited amounts (With no limit to the length of maturity from date of purchase)
- U.S. Agency obligations that maybe sold prior to maturity. Unlimited amounts (With no limit to the length of maturity from date of purchase)
- Bank accounts or Certificates of Deposit, hitherto termed C.D.'s. Unlimited amounts (With no limit to the length of maturity from date of purchase), which is fully collateralized through a third-party agreement.
- Bank accounts and C.D.'s (With no limit to the length of maturity from date of purchase), fully insured by F.D.I.C. and in some cases also Depository Insurance Fund of Massachusetts (D.I.F.M): \$250,000 limit. All bank accounts and C.D.'s in one institution is considered in the aggregate to receive the insurance coverage.

Unsecured bank deposits of any kind such as other checking, savings, money market, or Certificates of Deposit accounts at Banks that do not fit the above categories. These investments are subject to the following limitations:

These investments will be limited to no more than 5% of an institution's assets and no more than 10% of a municipality's cash. Their credit worthiness will be tracked by Veribanc, Sheshunoff, or other bank credit worthiness reporting systems. They will be diversified as much as possible.

- Common and preferred stock that are listed in the List of Legal Investments.
- Investment Funds that are listed in the List of Legal Investments.

- All other items not separately identified here that are listed in the List of Legal Investments.

## **E. Legal References**

Massachusetts General Law Chapter 44, Section 54

Massachusetts General Law Chapter 44, Section 55A

Massachusetts General Law Chapter 44, Section 55B

## **III. Reporting Requirements**

On an annual basis a report containing the following information will be prepared by the Treasurer and made available for review:

- A report of the account types (i.e. general fund, trust funds, stabilization) including fund balances, investment return information and summary of income received as of the end of the reporting period.
- May prepare a report by bank type such as commercial, savings, etc. without name of banking institution.
- The treasurer shall include in the report a brief statement of general market and economic conditions and other factors that may affect the Town's cash position.
- The report should demonstrate the degree of compliance with the tenets set forth in the Investment Policy.

## **IV. Internal Controls**

The chief financial officer is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the Town are protected from loss due to employee error, fraud, and misrepresentation by third parties or imprudent actions by employees and officers. The internal control structure shall be designed to provide reasonable assurance that these objectives are met.

Accordingly, the chief financial officer shall establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points:

- Control of collusion
- Separation of transaction authority from accounting and recordkeeping
- Custodial safekeeping of all funds received.
- Avoidance of physical delivery securities
- Clear delegation of authority to subordinate staff members
- Written confirmation of transactions for investments and wire transfers

- Development of a wire transfer agreement with the lead bank and third-party custodian

#### **A. Delegation of Authority**

Management responsibility for the investment program is hereby delegated to the Chief Financial Officer, who shall establish written procedures for the operation of the investment program consistent with this investment policy. Procedures should include references to custody, repurchase, wire transfer, and bank security agreements, and banking service contracts. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Treasurer. The Treasurer shall be responsible for all transactions undertaken and the Chief Financial Officer shall establish a system of controls to regulate the activities of subordinate officials.

#### **V. Ethics**

The Treasurer and Assistant Treasurer shall refrain from personal business activity that could conflict with proper execution of the investment policy, or which could impair their ability to make impartial investment decisions. The Treasurer shall disclose in writing to the Chief Financial Officer and Town Administrator any material financial interests in financial institutions with whom they conduct business. They shall further disclose any large personal financial/investment positions that could be related to the performance of the investment portfolio, particularly with regard to the time of purchase and sales.

#### **Standards of Care**

The standard of prudence to be used by the Treasurer shall be the “Prudent Person” standard and shall be applied in the context of managing an overall portfolio. The Treasurer acting in accordance with written procedures, and this investment policy, and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided the purchases and sale of securities is carried out in accordance with the terms of this policy.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs; not for speculation but for investment considering the probable safety of their capital as well as the probable income to be derived.

In addition, this section would also apply to M.G.L. Chapter 44 Section 55A which refers to the liability of the Treasurer for losses due to bankruptcy.

## Audit Policy

The purpose of this policy is to emphasize the Town's commitment to the completion of annual independent audits, and in doing so, to strengthen public confidence that:

- the Town's year-end financial statements are reliable, accurate, and complete.
- internal financial controls are in place and executed to protect Town assets.
- departmental procedures are sound.
- credit rating agencies have evidence that the Town's financial condition is healthy.
- the Town has a management tool for measuring performance.

Therefore, it is the policy of the Town:

1. an audit of the Town's year-end financial statements shall occur annually.
2. the principal person engaged to complete the audit is a Certified Public Accountant with Massachusetts municipal audit experience; The Managing CPA should rotate every five years if the same audit firm is retained.
3. when securing a new audit contract, the Town will circulate a request for proposals or will solicit requests from multiple selected audit firms.
4. the Town will put forward its best efforts to enter an audit agreement that, in addition to customary terms, includes estimated dates for the start and completion of the audit, and requires a formal presentation of audit results to the Select Board.
5. the Town will with best efforts address, with corrective action, comments and issues presented in the auditor's management letter.

## Other Post-Employment Benefits Policy

Other Post-Employment Benefits (OPEB) refer to non-pension benefits that town employees earn while actively working, but do not receive until they retire. The largest OPEB cost is for health insurance, but coverage for dental, vision, prescription drugs, etc. can be included as well. In 2004, the Governmental Accounting Standards Board (GASB Statements 43 & 45) directed that towns identify and account for these liabilities. This policy was created for addressing the OPEB liability, in order to avoid any potential detrimental impact OPEB costs might have on the Town's annual operating budget; to help ensure positive audit results; and to protect the Town's bond rating, it is the policy of the Town to:

- Fund the OPEB liability trust fund annually in accordance MGL, Chapter 32B, §20
- Ensure an OPEB actuarial analysis every two years as required by GASB Statements 43 & 45.
- To appropriate in the Town General Fund budget an amount each year into the OPEB liability trust fund.
- To put forward its best efforts to follow the contribution schedule that projects full OPEB funding.



## Departmental Receipts

All monies received by any town department, board or committee must be accurately accounted for and then turned over to the Town Treasurer in accordance with the town's turnover procedures. Under no circumstances may a department spend the funds it collects unless allowed by state law. Receipts include, but are not limited to, taxes, excises, fees, penalty charges, grants and gifts, whether received in the form of cash, coin, check, wire or other electronic funds transfer.

- Whenever possible, money should be collected in the form of a check addressed to the Town of Marblehead and, in every instance, a pre-numbered receipt should be completed for departmental records, whether or not the customer requests one.
- All departments should maintain a receipts log, in electronic or hard copy form that records the date and amount of a payment received, the person's name making the payment and the purpose of the payment. Total recorded receipts should be reconciled with amounts indicated on a departmental revenue report that is periodically received, or can be requested, from the Town Accountant.
- All department staff receiving or otherwise permitted to handle funds on behalf of the town shall be covered by a surety bond. Accordingly, department heads shall submit to the Treasurer the names of all such staff.
- All collections in the possession of a department should be turned over daily to the Treasurer/Collector Office. In the event you are not able to turn over the funds the same day the funds must be locked overnight in a safe, vault, or locked file cabinet to be turned over. Under no circumstances shall funds be held over the weekend except under extraordinary circumstances in which you have notified the Treasurer/Collector, Town Accountant, and Finance Director.

## Departmental Turnovers

All departments accepting money on behalf of the Town must turn over collections to the Town Treasurer:

- at least once a day, or
  - immediately when on-hand money reaches \$100, or more
- Cash, coins and checks must be submitted to the Treasurer together with an original and two completed copies of a Schedule of Departmental Payments form signed, also known as a Turnover Sheet (in an electronic format or in hard copy). One to the Town Accountant and one to Treasurer.
- The Treasurer or Assistant Treasurer shall verify that the total amount in cash, coins and checks submitted match the total amount indicated on the Turnover Sheet in the presence of the departmental staff person delivering the collections. Any variance shall be noted as a correction on the original turnover sheet known as the Treasurer's copy.
- The Treasurer's Office retains the original the Turnover Sheet, the Department keeps a copy, and the Department representative delivers a separate copy to the Town Accountant.
- Departmental receipts should be delivered to the Treasurer or Assistant Treasurer during normal business hours, or deposited into the office lock box if the Treasurer or Assistant Treasurer is not available. Receipts should not be left unattended or in any unsecured location.

## Departmental Expenditures

Once a budget is approved, department heads have responsibility for ensuring that they only spend within the allocated salary or expense category amount. It is illegal to spend over budget allocations except in very limited circumstances. If sudden or unforeseen expenditures arise, and/or the department head determines that there is not enough funding to continue to June 30, he or she should contact the Finance Director and Town Accountant as soon as possible.

Vendor and Payroll warrants shall be processed, and payments shall be disbursed every week in accordance with a schedule established by the Finance Director prior to the start of the fiscal year.

Pursuant to state law, vendor payments will be made only after goods are received by and services are rendered to the Town.

Requests for payment should be made on standard forms. Requests must indicate the expense account to be charged, an original invoice and the signature of a department head or others authorizing the payment.

Given that increasingly vendors are switching to electronic invoices in order to “go green” the following are guidelines will be followed:

1. If the invoice is in the form of an email, please print the entire correspondence, including any attachments and submit as a whole. The auditors look at the URL on the bottom or top of the invoice to verify authenticity for the Town.
2. If it is a PDF document, please submit that along with the announcement email (like “your invoice is ready and can be accessed from this link.”)
3. Complete a bill schedule as usual. Invoices still must be in the proper format (no MA Sales Tax charged, dated, vendor name, vendor phone number, purchase order number, vendor email, and amount for each service/purchase as well as any other detailed description of goods and services. A new W-9 Form should be requested each year.



## Purchasing Policy

Department Heads and Employees shall utilize established accounts with vendors (i.e., Staples, Amazon, local Marblehead Businesses) for most routine purchases.

The Town will centralize purchasing, whenever practical, of supplies and other goods commonly consumed by town offices.

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

- Under \$10,000 - “sound business practices”<sup>1</sup> should be used with the award going to vendor offering the best price.
- Between \$10,000 and \$50,000 - three quotes, which can be written or oral, must be solicited in advance. The award goes to a responsive<sup>2</sup> and responsible<sup>3</sup> vendor offering the best price. To ensure that there is no discrepancy in what is told to each vendor from whom quotes are solicited, a purchase description should be written in advance. The information collected must include the purchase description previously written, date of the quote, amount of the quote, delivery schedule, comment on any variance between what is sought and offered, and a description of any conditions to the purchase.

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<sup>1</sup> Sound business practice is “ensuring the receipt of favorable prices by periodically soliciting price lists of quotes.” MGL c.30B §2.

<sup>2</sup> A responsible bidder or offeror is “a person who has the capability to perform fully the contract requirements, and the integrity and reliability which assures good faith performance” MGL c.30B §2.

<sup>3</sup> A responsive bidder or offeror is “a person who has submitted a bid or proposal which conforms in all respects to the invitation for bids or request for proposals.” MGL c.30B §2.

A written contract is required <sup>4</sup>. It must be signed by the vendor and Town representative authorized to sign contracts. The original of all contracts must be submitted to the Accounting Department. Departments must retain a copy.

- Over \$50,000 – purchases must be competitively bid or solicited through a Request for Proposals (RFP), unless the goods and services are (1) exempt from bidding under MGL Chapter 30B, (2) found on the State Procurement list, or (3) evidence of a sole source is documented.

Before initiating a bid or RFP process, the department head with spending authority must consult with the Town's Chief Procurement Officer (CPO).

The State Office of the Inspector General enforces Chapter 30B and provides guidance on its website at:

<https://www.mass.gov/oig-public-procurement-and-chapter-30b-programs>

You may also access the OIG quick-reference charts using the link above.

## The OIG has quick-reference charts on MA public procurement procedures.

In late August 2022, Governor Baker signed into law House Bill 596, which changed the price quotations threshold for municipal and regional school districts. We have updated these charts to reflect these changes, which went into effect on November 25, 2022.

[VIEW CHARTS](#)

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<sup>4</sup> "All contracts in the amount of \$10,000 or more shall be in writing, and the governmental body shall make no payment for a supply or service rendered prior to the execution of such contract." MGL c.30B §17(a).

## User Fee Policy

User fees reflect departmental charges for permits, licenses, program participation and services provided.

- Town fees shall be reviewed periodically as directed by the Select Board or the elected Board, Committee or Commission that oversee a department or program.
- Individual fees shall be set so that total anticipated annual receipts reasonably cover the estimated yearly cost to provide the program or service.
- Unless otherwise allowed, all user fees collected by departments, officers, boards, committees and commissions must be turned over to the Treasurer in accordance with the Town's Turnover procedures.
- The Town shall strive to maintain a master list of user fees including a brief description of the fee, the department, etc., that collects it and the last time it was reviewed.



## Anti-Fraud Policy

Public trust is critical to the success and integrity of municipal government. Employee confidence in government is equally essential. The Town of Marblehead understands the value of these goals and is committed to protecting its revenue, property, information, and other assets from any attempt, either by members of the public, contractors, vendors, agents or its own employees, to gain by deceit, financial or other benefits at the expense of the taxpayers.

Town Officials and employees must, at all times, comply with all applicable laws and regulations. The Town will not condone the activities of officials or employees who achieve results through violation of the law or unethical business dealings. The Town does not permit any activity that fails to stand the closest possible public scrutiny.

Through prevention, detection, investigation and swift corrective action, the Town will make known its expectations for employee conduct and its intent to deter all forms of fraud and threats to the security of our assets or our reputation.

- The Town will inform employees as to the meaning, definitions and actions that constitute fraud, including but not limited to asset misappropriation, larceny, corruption, fraudulent statements or financial reporting and incurrence of expenditures and liabilities for improper purposes.
- The Town will apply this policy to all elected officials, appointed officials, committee members, board members, volunteers, interns, and all employees (full-time, part-time, seasonal, and/or casual) of the Town. This policy also applies to any business or individual doing business with the Town.
- The Town will adopt protocols for employees to follow, without risk of retribution, for reporting suspected fraudulent activity.
- The town will, through its employees and accepted procedures, act to prevent fraud through the diligent implementation of financial controls and safeguards and will otherwise create a work environment that deters fraudulent activity.

- The Town will 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.
- The Town will, if suspicion of fraud is substantiated, carefully consider and act to impose lawful and appropriate penalties up to and including dismissal and legal action.

The Town has established this Fraud policy described herein are the steps to be taken when fraud, misappropriation, or similarly dishonest activities are suspected.

## **1. SCOPE AND DEFINITION OF FRAUD**

Fraud generally involves a willful or deliberate act with the intention of obtaining an unauthorized benefit, such as money or property, by deception or other unethical means. All fraudulent acts are included under this policy and include such things as:

- Embezzlement, misappropriation, or other financial irregularities
- Forgery or alteration of documents (checks, time sheets, contractor agreements, purchase orders, other financial documents, electronic files)
- Improprieties in the handling or reporting of money or financial transactions.
- Misappropriation of funds, securities, supplies, inventory, or any other asset (including furniture, fixtures, or equipment)
- Authorizing or receiving payment for goods not received or services not performed
- Authorizing or receiving payments for hours not worked

## **2. GENERAL PROTOCOL – REPORTING PROCEDURE**

Anyone who believes fraud has occurred should immediately report such an incident.

Employees are protected under Massachusetts General Law, Chapter 149, section 185, from retaliatory actions by the employer. Use the channel of communication with which you are most comfortable. Accordingly, you may report your concerns to your immediate supervisor, department head, human resource director, finance director, or directly to the town administrator.

Immediate supervisors, department heads, human resource director, and town administrator must report all apparent cases of fraud brought to their attention to the finance director, and if appropriate, to the police department.

### 3. RESPONSIBILITIES

Town employees and all levels of management are responsible for establishing and maintaining proper internal controls that provide security and accountability for the resources entrusted to them. Department Heads should be familiar with the risks and exposures inherent in their areas of responsibility and be alert for any indications of improper activities, misappropriation, or dishonest activity.

Responsibilities of management and non-managerial staff for handling fraudulent activities include the following:

- Ensure that notification promptly reaches the town administrator, human resources, finance director, and if, appropriate the Police Department. Refer to "General Protocol – Reporting Procedure".
- If the situation warrants immediate action – for example, obvious theft has taken place, security is at risk, or immediate recovery is possible – management and non-managerial staff receiving reports should immediately contact the town administrator, human resources, and the finance director.
- Do not contact the suspected individual to determine the facts or demand restitution. Under no circumstances should there be any reference to "what you did", "the crime", "the fraud", "the forgery", "the misappropriation", etc.
- Managers should consult with the human resource director and town administrator to determine if any immediate personnel actions are necessary.
- Do not discuss the case, facts, suspicions, or allegations with anyone, unless specifically directed to do so by the town administrator, human resource director, or the finance director.
- Direct all inquiries from any suspected individual, his or her representative, or his or her attorney to the town administrator or human resource director. Direct all inquiries from the media to the town administrator's office.
- Great care must be taken in the dealing with suspected fraudulent activities to avoid any incorrect accusations, alerting suspected individuals that an investigation is under way, violating any person's right to due process, or making statements that could lead to claims of false accusation or other civil rights violations.

The finance office in conjunction with the town administrator's office may investigate any suspected dishonest or fraudulent activity, which, in its opinion, may represent risk of significant loss of assets or reputation to the Town. The town administrator may work with internal or external departments, such as town counsel, and the human resources department, police department, and Commonwealth law enforcement agencies, as circumstances may require. The

finance office, town administrator's office, and human resources office is available and receptive to receiving relevant information on a confidential basis and may be contacted directly whenever a fraudulent activity is suspected.

Town management will support the town's responsibilities and will cooperate with the town finance director and law enforcement agencies in the detection, reporting, and investigation of fraudulent acts, including prosecution of offenders. The town administrator's office, finance office, and human resources office has full, free and unrestricted access to all records and personnel of the Town. Every effort should be made to effect recovery of Town losses from responsible parties or through Town insurance coverage.

The finance office will review the results of any investigations with responsible management as necessary, making recommendations for improvement to the systems of internal control.

#### **4. NON-FRAUD IRREGULARITIES**

Identification or allegations of acts outside the scope of this policy, such as personal improprieties or irregularities, whether moral, ethical, or behavioral, safety or work environment related, or complaints of discrimination or sexual harassment, should be resolved by the respective area management in conjunction with Human Resources and/or reference to any other existing town administrator's guidance or resource. Examples include violations of Town policy, the principles of employee conduct, the policy against intolerance, the sexual harassment policy, and the MGL Chapter 268A conflict of interest law (this list is not all-inclusive). The Human Resource Office may also be of assistance. The Town Administrator's Office or Finance Director's Office may be contacted if guidance is needed to determine if an action might constitute fraud as defined in this policy.

## Petty Cash

A department **may not** maintain a Petty Cash unless dually authorized by the Town Treasurer and Finance Director.

The Treasurer's and Finance Director's authorization shall be in memorandum form to the department head stating:

- The town purposes for which the fund is established or can be used, and that the fund is not for personal use.
- The maximum cash balance of the fund, which may not at any time exceed \$200.00.
- The requirement that all expenditures from the fund must be documented by a hard copy receipt.
- The process for replenishing the fund:

The Treasurer may replenish the Petty Cash fund, without separate appropriation, when presented with receipts by the department head evidencing full, or near full, expenditure of the prior balance.

- The stipulation that departments may not replenish the Petty Cash fund with over the counter or other town receipts they collect.



## Employee Reimbursements

As a matter of policy, out-of-pocket payments by employees are discouraged. However, recognizing that there are situations when out-of-pocket payments are necessary or unavoidable to meet a public need or departmental purpose, employee reimbursements are allowed.

It is further recognized that the town is served well when its employees attend relevant seminars and conferences in their respective areas of expertise. In these circumstances, employees are eligible for reimbursement for certain out-of-pocket costs.

### **For Departmental Expenditures:**

To avoid reimbursement situations, department heads and employees shall utilize established accounts with vendors (i.e., Staples, Amazon, local Marblehead businesses for routine purchases. In the event that an item cannot be procured utilizing established accounts, the following procedures and guidelines must be followed to ensure permitted and prompt reimbursement.

The Town will not, under any circumstances, reimburse employees for out-of-pocket payments for services rendered.

The Town will reimburse the cost of modest food and refreshments for town staff provided at extended meetings and day-long events that involve official town business.

As a rule, because the Town of Marblehead is tax exempt, no sales tax can be reimbursed.

Employee reimbursement for an out-of-pocket expenditure may occur only if all of the following circumstances apply:

- the Department head has approved the purchase in advance, which shall serve as acknowledgement that there is an appropriate line-item account to be charged and there are sufficient funds to cover the cost
- the vendor from whom the purchase is made is unwilling or unable to invoice the town

- there is an immediate need for the item to be purchased

For reimbursement incurred by a board, committee or commission, pre-approval must occur at a duly convened open meeting of the body requesting reimbursement. At least two attending members should sign the Bill Schedule, or minutes that reflect the approved expense amount should be provided with the bill.

### **For Employee Travel Expenses:**

When employees travel to events, seminars, or conferences, they may receive reimbursement for out-of-pocket expenses, only if the travel is approved in advance by the department head, or by the Board, Committee or Commission that oversees the department, whose approval shall confirm that:

- the purpose of the travel is directly related to the work of the employee
- there is an appropriate departmental line-item account to be charged
- there are sufficient funds in the line-item account to cover the anticipated cost

*Mileage.* Employees are encouraged to carpool whenever possible. The Town will reimburse employees for the use of private vehicles at the IRS allowed per mile rate. The Mileage Reimbursement form is available from the Finance Department.

*Tolls.* Tolls will be reimbursed when evidenced by a receipt.

*Meals.* If approved for extended travel, employees may be reimbursed for meals at the federally established per diem rate set at [www.gsa.gov/](http://www.gsa.gov/).

**or**

[https://www.gsa.gov/node/107493?\\_gl=1\\*10z5kt1\\*\\_ga\\*NzA5NjlzNjkyLjE2ODUxMTcwNTM.\\*\\_ga\\_HBYXWFP794\\*MTY4Njl2ODg0Mi4zLjEuMTY4Njl2ODg1NS4wLjAuMA](https://www.gsa.gov/node/107493?_gl=1*10z5kt1*_ga*NzA5NjlzNjkyLjE2ODUxMTcwNTM.*_ga_HBYXWFP794*MTY4Njl2ODg0Mi4zLjEuMTY4Njl2ODg1NS4wLjAuMA)

We understand that meals may exceed the Federal amount and must be approved by the Department Head in the case of an employee or Town Administrator for Department Heads.

Meals included in conference fees set by the hosting entity are not reimbursable and reimbursement for all other meal expenses must be pre-approved. No wines, liquors, tobacco costs will be reimbursed per state law. Meals for spouses, other family members, or significant others will not be paid for by the Town.

*Accommodations.* If overnight stay is approved, employees may receive reimbursement for reasonable hotel accommodations.

Overnight accommodations can be approved if a training session or a conference is over two or more days and the training session or conference location is greater than fifty (50) miles from town, or if evening sessions would require a return commute at unsafe hours or under unsafe conditions.

For all reimbursements, an employee must:

1. Provide an original invoice or one approved under the Town of Marblehead's Electronic Invoice Policy is required, and
2. Provide a detailed, original paid invoice from the store or supplier. The person requesting reimbursement shall fill out the Town's Reimbursement Form, attach the receipt, or provide a copy of their credit card statement redacted showing the charge or copy of their cancelled check from bank, **Please sign and date the form.**
3. Complete a Bill Schedule. All requests for reimbursement shall be submitted on a completed Bill Schedule. The vendor name will be the individual requesting reimbursement. Please provide the requestor's mailing address if reimbursement is to be mailed.

## **Contact with the Media**

Contact with the Media Employees are required to refer inquiries from the media (print, radio, television, on-line) about matters pertaining to the Town of Marblehead to the Town Administrator unless authorized by their supervisor to speak with the media. Employees may be authorized to discuss specific topics with the media, but otherwise should refer to the Town Administrator or their Supervisor. Employees may not initiate contact in writing or orally with the media without authorization from their supervisor or the Town Administrator.

## **Promotion**

The Town encourages employees to develop skills, attain greater knowledge of their work and make known their interests in and qualifications for promotions to more responsible and higher-level positions. Following job posting procedures and the recruitment process, an employee who is offered and accepts promotion shall enter the new position at the minimum rate of the grade or range of the new position or the step rate in the Level of the new position at least one full step above the employee's existing rate, whichever is higher. The employee's anniversary date will change because of the promotion.

## **Professional Development**

The Town of Marblehead is committed to its staff and encourages employees to continue to develop professionally in order to enhance their value in the position and the quality of their work. Training sessions, seminars and/or course work that is relevant to an employee's position and goals may be authorized by their Department Heads, subject to funding availability. The Town will actively seek to arrange on-site trainings and professional development opportunities for employees whenever possible, utilizing training resources available internally, throughout area higher education and applicable professional associations.

## **Technology Use Policy**

### **Purpose:**

The Town of Marblehead's Technology Use Policy is intended to ensure that the Town of Marblehead's ("Town") technology resources are available and utilized in an appropriate and responsible manner, in accordance with local, state and federal laws, and the Town's own various policies and procedures. The policies contained in this document are intended to work together comprehensively as a single Town Technology Policy ("Policy").

### **Scope:**

This Policy applies to all users ("Users"). Users include, but are not limited to, all Town employees, contractors, visitors, volunteers, committee or board members, interns or any other personnel using, accessing, or otherwise interacting with the Town's hardware, software, and other technology resources and systems ("Resources"). Resources include, but are not limited to, all electronic hardware, software; landline phones, cell phones, smartphones, voicemail, tablet computers, desktop computers, laptop computers, fax/copy machines, printers, peripherals, door access and alarm systems, camera systems, electronic databases, local and wide area networks, email and collaboration systems, internet hardware and data, all media and the facilities containing them, all host or remote technology systems (e.g., workstations/PCs,

mobile and handheld devices, telecommunication/radio devices, system software, application software, and data), and communications networks or systems which may be directly, indirectly, or remotely controlled, administered, accessed or otherwise interact with other Town Resources.

All Town employees having previously completed a Technology Use Policy Acknowledgement Form are required to continue observing and abiding by these updated Policies which replaces any and all previous Technology Use Policies. *If any component of this Policy conflicts with any applicable collective bargaining agreement (CBA), the component shall be subject to the CBA, and the remaining nonconflicting features of this policy shall remain in effect.*

**Privacy Statement:**

***Users should not expect any right of privacy in the use of Town Resources, including electronic communications and information created or stored on the Town's systems.***

The Town retains the right to inspect its Resources, including any Town-owned or leased computer or electronic communications equipment, any data contained in such equipment, and any data sent or received by that equipment. The Town will exercise that right when reasonable and in pursuit of legitimate needs for supervision, control, and the efficient and proper operation of the workplace. Users should be aware that appropriately authorized network administrators may monitor network traffic, and/or access all files, including e-mail files and Internet use history, stored on any equipment.

**General Use Policy:**

The Town's Resources are owned, operated, administered, and managed by the Town of Marblehead. They are provided as a business tool to users to facilitate timely and efficient business use and are to be used for business purposes only. The appropriate use ("Appropriate Use") and protection of all Town Resources is expected from all Users. Appropriate Use of these resources is defined as use which is Town business-related. Any other use is inappropriate.

**Security:**

All usernames and passwords are for the exclusive use of the individual to whom they are assigned. The User is personally responsible and accountable for all activities carried out under his/her username and should take all reasonable precautions to protect his/her password. The password associated with a particular username must not be given or divulged to another person (with the exception of the Systems administrator). No one may use, or attempt to use, a username or password assigned to another person, or pose as another user.

### **Use of Town Resources is subject to the following:**

- All Town Resources are the property of the Town. The Town retains ownership of all resources, materials, documents, and files stored, maintained, deleted, modified, received, sent, or otherwise accessible via the Town's Resources unless otherwise copyrighted, trademarked, or agreed to by the Town Administrator.
- The Town may, without notice, limit, restrict, monitor, block, access, search, review, modify, or disclose the use of any Town Resources.
- The Town may determine what applications are installed or configured on Town Resources assigned to Users. Applications may be installed, modified, updated, or removed without notice. The term "Personal Computer" does not suggest that Users have a choice of what is made available to them.
- Any Materials sent to or from Town Resources must comply with federal and state laws regarding the protection of Personally Identifiable Information (PII) (e.g., Date of Birth, Social Security Number, Name and Address information, and where applicable, financial account information), and applicable Record Retention Laws. PII data should always be encrypted.
- All Town Resources are subject to discovery; even if a User believes they have deleted materials, they may be retained in other systems. Users should NOT delete Materials unless they are clearly considered trivial or irrelevant (e.g., an email about coffee/pizza being served somewhere), as they may be subject to Public Records Retention Laws.
- Town Resources may be configured with remote management tools to assist with loading additional applications and software. Users shall not remove, disable, or otherwise modify any applications or software installed by the Town IT Department. The Town IT Department will only assist with the installation of additional applications or software deemed necessary and appropriate for Town-related business use.
- Users who synchronize or store Town information on a portable device such as a smartphone, tablet, or laptop, owned personally or by the Town, **shall set the device to require a passcode or fingerprint prior to each use**. In the event such a device is lost or stolen, the User shall report the device lost or stolen to the IT Department

immediately. Users acknowledge by setting up synchronization with Town information, such as Exchange which includes email, contacts, calendars and reminders, the IT Department has the ability to remote wipe such a device.

- The Town reserves the right, but not the responsibility, to monitor any and all aspects of Town Resources and materials; the Town is not responsible for material viewed, downloaded, or forwarded by Users.
- Technology Resources shall be used only for work-related professional or civic purposes.

### **Technology Ethics Policy:**

When using Town Resources and materials, all Users will:

- Conduct business in a truthful and accurate manner. Users should never misrepresent themselves in order to gain access to any other Town Resources or materials, or in order to deceive anyone interacting with Town Resources or materials.
- Keep communications and correspondence professional and appropriately personable. Email, the internal network, and the Internet should not be used for communications that express anger or criticism.
- Apply the same grammatical quality and professional letter writing standards that are applicable to paper-based correspondence. Email correspondence should reflect the Town's commitment to quality, performance and professionalism at all levels.
- Be aware that all laws and Town policies related to Sexual Harassment and Unlawful Harassment apply to the use of Town technology systems.
- Make every prudent and reasonable effort to protect against their theft, loss, or damage.
- Access only what is authorized, making no attempt to bypass security or firewall restrictions, and must not disable, render inoperable, or otherwise tamper with Town Resources or materials.
- Not authorize anyone to use their Town accounts for any reason.

- Be responsible for properly locking down access to systems when they are away from them, and be responsible for any materials transmitted, accessed, or otherwise entered or modified from systems or accounts the User is logged into.
- Abide by copyright law and intellectual property rights. Downloading non-business-related Materials (e.g., games, music files, videos, etc.) is prohibited.
- Refrain from interfering with the work of others, impacting other Town Resources, causing offense to others, or wasting Town Resources. This includes, but is not limited to:
  - Using Town Resources for any private, personal, unlawful, unethical, commercial, religious, political campaigning, monetary gain, or legally questionable activity.
  - Accessing inappropriate sites including adult content, online gambling, or dating sites.
  - Using encryption technology that has not been approved for use by the Town's IT Department.
  - Using personally owned technology for conducting Town business, where official Town records are created but not maintained by the Town.
  - Accessing hacking sites or using security hacking tools to attempt to elevate user privileges or to otherwise obtain unauthorized access.
  - Intentionally intercepting, accessing, altering, copying, distributing, moving or removing Town resources or materials without permission.
  - Accessing Town Resources related to other Users, constituents, businesses, or anyone else, without a Town-related business purpose requiring you to do so.
  - Creating unnecessary network traffic, load, disruption, or disablement of resources, or establishing any remote control, remote access, or remote monitoring services without the permission of the Town IT Department.
  - Loading software or data from untrustworthy sources (e.g., freeware, or shareware), or without ensuring that all files are properly scanned for viruses or other malicious software code prior to introduction to Town Resources.
  - Connecting, installing, introducing, or otherwise initiating unauthorized technology into the Town.
  - Transmitting, viewing, accessing, or making accessible offensive, fraudulent, sexually explicit, profane, obscene, harassing, intimidating, threatening, or defamatory materials.



- Using online shopping sites, social network sites, or media sites for personal use.
- Using Town Resources in a manner which may subject the Town to any liability claim.

### **Official Town Social Media Guidelines:**

Social networks consist of social media content within online communities of people or organizations that share interests and/or activities and use a wide variety of Internet technology to make the interaction a rich and robust experience. Social media may facilitate discussion on Town issues, operations, and services by providing members of the public the opportunity to participate in a variety of ways via the Internet. Examples of social networks and social media (“Social Media”) include, for example, Facebook, blogs, YouTube, Twitter, LinkedIn, Flickr, various 3rd party email accounts, instant messaging tools and general websites.

The Town views Social Media positively, recognizes that these tools may significantly influence reputation, and understands that Social Media is the basis for much wider changes taking place in online media that may increasingly affect Town services delivered to constituents. Because of this, the Town has an overriding interest and expectation in deciding official statements or messaging on behalf of the Town on Social Media. The use of Social Media must be tempered with common sense, good judgment, discretion, and responsibility to maximize the benefits of these resources and minimize potential liability.

Town Departments are encouraged to use **Town sponsored** social media to further department goals. The Town’s official uses of Social Media must meet one of the following three categories:

1. As a channel for disseminating Town-related time-sensitive information to the public.
2. As a channel for enhancing communications with constituents, businesses, and stakeholder organizations related to conducting business with the Town; and/or
3. As a channel for marketing, promoting, or otherwise furthering the Town’s goals and objectives by publishing news and articles, facilitating discussions, and communicating information related to Town accomplishments, promotions, or other marketing events.

The Town’s websites ([www.Marblehead.org](http://www.Marblehead.org)) will remain the Town’s official, primary and predominant Internet presence. Wherever possible, content posted to Town sponsored Social Media should also be available on the Town’s primary sites. The Information Technology department can assist with linking from Town sponsored Social Media sites back to official Town websites.

Wherever possible, content posted to Town Social Media should contain links directing users back to the Town's official websites for in-depth information, forms, documents, or online services necessary to conduct business with the Town.

The intended purpose of Social Media is to serve as a mechanism for communication between Town departments and members of the public. Town Social Media postings should not contain:

- Comments in support of or opposition to political campaigns or ballot measures
- Profane language or content
- Content that promotes, fosters, or perpetuates discrimination
- Sexual content or links to sexual content
- Solicitations of commerce
- Conduct or encouragement of illegal activity
- Information that may compromise the safety or security of the public or public systems
- Any content removed based on these guidelines must be retained, including the time, date and identity of the poster when available
- Content that otherwise violates any applicable federal or state law, and/or exposes the Town to any liability claim.

Submission of comments by members of the public to Town Social Media may constitute participation in a limited public forum. Town Social Media is subject to Public Record Retention Laws.

#### **User participation in non-Town sponsored social media:**

Users who participate in non-Town sponsored Social Media are encouraged to make it clear they are speaking for themselves when doing so. Users who participate in non-Town sponsored Social Media may not use the Town of Marblehead seal, tagline, or other marketing related material in order to avoid confusing visitors, or suggesting the appearance that the Social Media posts are representative of the Town's position, opinion, or view.

#### **Town Issued Mobile Device Policy:**

The Town may issue mobile devices such as laptops and tablets ("Devices") to users to assist them with conducting Town business-related activities. Use of Town issued Devices is subject to the following:

- Town Devices must be properly inventoried by the IT Department.
- User assumes responsibility to ensure to maintain Devices in a safe, functioning and reasonable condition. Equipment is to remain free of any writing, stickers, or labels that are not the property of the Town. Users are encouraged to contact the Town IT Department with any questions about how to maintain or use Town issued devices.

- Except in emergencies, personal use of Town owned and issued mobile devices is prohibited. • User agrees to perform regular and routine recommended data backups
- Town Devices should not be left unattended in public places, or in places where they may be subject to harsh environmental conditions. This is for your safety, the safety of your contacts and the people you communicate with.
- Town Devices which are damaged, lost, or stolen must be reported to IT as soon as possible. The Town may, at its own discretion, choose to electronically locate and remotely wipe or reset lost or stolen Devices.
- Town owned Devices must be returned to Department Head or IT upon separation of employment or assignment is completed.

### **Town Mobile Device Plan and Policy:**

Departments Heads may identify staff who require regular use of a cell phone or combination cell phone/PDA with data plan, to efficiently and safely perform their primary function(s). Department heads will annually submit a detailed purchase order for Town Administrator approval, and again when a staff person is added to or dropped from the reimbursement plan. Supervisors must contact the Finance Director/IT Director for securing and ensuring payment for the cell phone. All devices approved and/or accessing Town resources, are subject to the terms and conditions of this entire policy.

### **Personal Device Use Policy:**

The Town recognizes that some Users may prefer privately owned or personal technology devices such as laptops, tablet and cell phones (“Personal Devices”) which they are interested in using for Town business-related purposes. The Town will not be responsible for any Personal Devices, or any damage or loss that might arise from using Personal Devices to remotely connect to, interface with, integrate with, or interact with Town Resources.

### **Compliance:**

Violations of this Policy may result in disciplinary actions as deemed applicable by the Personnel Procedures Manual, the Town Administrator and/or the appropriate collective bargaining agreement. If violations of this Policy are discovered that consist of illegal activities, the Town may notify the appropriate authorities. The Town reserves the right to pursue appropriate legal actions to recover any financial losses suffered as a result of violations of this Policy.

**TOWN OF MARBLEHEAD**  
**Acknowledgement of Technology Use Policy**

Your signature at the bottom of this page acknowledges your receipt and understanding of this Policy and will be placed in your personnel file.

By using Town Technology Resources and Materials, you agree to be bound by this Policy.

- Users of Town Resources and Materials hereby release the Town of Marblehead and its personnel from any and all claims and damages of any nature arising from a User's use of (or inability to use) any Town Resources or Materials.
- The Town reserves the right to amend this Policy without prior notice and to take such further actions as may be necessary or appropriate to comply with applicable local, state and federal laws, as well as new and emerging technology trends.

**This document must be signed and submitted to IT within five (5) business days of user's start date, or your accounts will be disabled.**

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Department

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

cc: Finance Director



# Glossary of Finance Terms

(Source: Department of Revenue/Division of Local Services)

**Abatement** – A reduction or elimination of a real or personal property tax, motor vehicle excise, fee, charge, or special assessment imposed by a governmental unit. Granted only on application of the person seeking the abatement and only by the committing governmental unit.

**Accelerated New Growth** – MGL c 59 § 2A(a) is a local option statute that allows a community to value and assess new growth (i.e., new construction or other physical additions to real property) occurring by June 30 for the fiscal year beginning July 1. This local adoption law, commonly referred to as Chapter 653, allows the community to assess improved parcels, which ensures the property owner pays his fair share of the cost of government operations for the fiscal year beginning July 1 rather than a year later.

**Advance Refunding of Debt** – This occurs when new debt is issued to replace or redeem old debt before the maturity or call date of the old debt. Under these circumstances, the proceeds of the new debt must be placed in escrow and used to pay interest on old, outstanding debt as it becomes due and to pay the principal on the old debt, either as it matures or at an earlier call date. (See Refunding of Debt, Current Refunding of Debt)

**Agency Fund** – One of the four types of fiduciary funds. It is used to report resources in a purely custodial capacity by a governmental unit. Agency funds generally involve only the receipt, temporary investment, and periodic transfer of money to fulfill legal obligations to individuals, private organizations, or other governments. For example, certain employee payroll withholdings typically accumulate in an agency fund until due and subsequently forwarded to the federal government, health care provider, and so forth.

**Amended New Growth** – When the assessors discover inadvertently omitted properties that would have been new growth, they may submit an

Amended Tax Base Growth Report (Form LA-13A) to BLA before setting the tax rate for the next fiscal year. BLA will certify the amount of any additional tax base growth and notify BOA. BOA will then recalculate the community's levy limit and notify the assessors of the new base for the purposes of calculating the succeeding year's levy limit.

**Amortization** – The gradual repayment of an obligation over time and in accordance with a predetermined payment schedule.

**Appellate Tax Board (ATB)** – Appointed by the governor, the ATB has jurisdiction to decide appeals from local decisions relating to property taxes, motor vehicle excises, state-owned land valuations, exemption eligibility, property classification, and equalized valuations.

**Appropriation** – An authorization granted by a town meeting, Town council or other legislative body to expend money and incur obligations for specific public purposes. An appropriation is usually limited in amount and as to the time period within which it may be expended.

**Arbitrage** – As applied to municipal debt, the investment of tax-exempt bonds or note proceeds in higher yielding, taxable securities. Section 103 of the Internal Revenue Service (IRS) Code restricts this practice and requires (beyond certain limits) that earnings be rebated (paid) to the IRS.

**Arm's Length Sale** – A transfer of property ownership between a willing seller not under compulsion to sell and a willing buyer not under compulsion to buy. The sale price is the amount of money, or its equivalent, that probably would be arrived at through fair negotiations taking into consideration the uses to which the property may be put and allowing a reasonable time for exposure to the market.

**Assessed Valuation** – A value assigned to real estate or other property by a government as the basis for levying taxes. In Massachusetts, assessed valuation is based on the property's full and fair cash value as set by the Assessors. (See Ad Valorem; Full

And Fair Cash Value)

**Assessment Date** – The date property tax liability is fixed. In Massachusetts, property taxes are assessed as of the January 1 prior to the fiscal year. Assessors determine the physical status of taxable real and personal property, its ownership, fair cash value, and usage classification as of that date. By local option (MGL c. 59 § 2D), the physical status of real property on June 30 is deemed to be its condition on the previous January 1.

**Assessment Sale Ratio (ASR)** – Property assessed value divided by sales price. Expresses the relationship between the assessed value of a sold property and its most recent sales price. The ASR is instrumental in BLA's certification of municipal property values completed every five years.

**Audit** – An examination of a community's financial systems, procedures, and data by a certified public accountant (independent auditor) resulting in a report on the fairness of financial statements and local compliance with statutes and regulations. The audit serves as a valuable management tool for evaluating a community's fiscal performance.

**Audit Committee** – A committee appointed by the select board, mayor, or Town council with specific responsibility to review a community's independent audit of financial statements and address all issues relating to it, as well as those outlined in the accompanying management letter.

**Audit Management Letter** – An independent auditor's written communication to government officials, separate from the community's audit. It generally identifies deficient areas, if any, and presents recommendations for improving accounting procedures and other internal controls.

**Audit Report** – Prepared by an independent auditor, an audit report includes: (a) a statement of the audit's scope; (b) explanatory comments as to the application of auditing procedures; (c) findings and opinions; (d) financial statements and schedules; and (e) supplementary comments, recommendations and statistical tables. It is very often accompanied by a management letter.

**Available Funds** – Balances in the various fund types that represent nonrecurring revenue sources. As a matter of sound practice, they are frequently appropriated for unforeseen expenses, capital expenditures, or other one-time costs. Examples of available funds include free cash, stabilization funds, overlay surplus, water surplus, and retained earnings.

**Balance Sheet** – A statement that discloses the assets, liabilities, reserves, and equities of a fund or governmental unit as of a specified date.

**Bank Qualified** – When a municipality issues \$10,000,000 or less in bonds or notes in a calendar year, these issuances are designated as "bank qualified." The bank that purchases the security receives a tax deduction (80% of the interest cost) for this type of purchase. This deduction makes bank qualified bonds and notes attractive purchases.

**Betterments (Special Assessments)** – Whenever part of a community benefits from a public improvement or betterment (e.g., water, sewer, sidewalks, etc.), special property taxes may be assessed to that area's property owners to reimburse the governmental entity for all or part of the costs it incurred to complete the project. Each property parcel receiving the benefit is assessed a proportionate share of the cost, which may be paid in full or apportioned over a period of up to 20 years. If spread over the years, the community adds one year's apportionment along with one year's committed interest computed from October 1 to October 1 to the associated tax bills until the betterment has been paid.

**BLA** – Bureau of Local Assessment

**Block Grant** – A federal grant of money awarded by formula under very general guidelines that allow grantees broad latitude in spending activities.

**BOA** – Bureau of Accounts

**Boat Excise** – In accordance with MGL c. 60B, this is an amount levied on boats and ships in lieu of a personal property tax for the privilege of using the

state's waterways. Assessed annually as of July 1, the excise is paid to the community where the boat or ship is usually moored or docked.

**Bond** – A means to raise money through the issuance of debt. A bond issuer/borrower promises in writing to repay a specified sum of money, alternately referred to as face value, par value or bond principal, to the buyer of the bond on a specified future date (maturity date), together with periodic interest at a specified rate. The term of a bond is always greater than one year. (See Note)

**Bond and Interest Record (Bond Register)** – The permanent and complete record maintained by a treasurer for each bond issue. It shows the amount of interest and principal coming due each date and all other pertinent information concerning the bond issue. (See Debt Statement)

**Bond Anticipation Note (BAN)** – Short-term debt instrument used to generate cash for initial project costs with the expectation the debt will be replaced later by permanent bonding. Typically issued for a term of less than one year, BANs may be reissued for up to 10 years, provided principal repayment begins after two years (MGL c. 44 § 17).

**Bond Authorization** – The action of town meeting or a Town council authorizing the executive branch to raise money through the sale of bonds in a specific amount and for a specific purpose. Once authorized, issuance is by the treasurer upon the signature of the mayor or the board of selectmen. (See Bond Issue)

**Bond Counsel** – An attorney or law firm engaged to review and submit an opinion on the legal aspects of a municipal bond or note issue.

**Bond Issue** – The actual sale of the entire, or portion of, the bond amount authorized by a town meeting or Town council.

**Bond Premium** – The difference between the market price of a bond and its face value (when the market price is higher). A premium occurs when the bond's stated interest rate is set higher than its true interest cost (the market rate). Premiums received at the time of sale must be used to pay project costs

and reduce the amount borrowed by the same amount or be reserved for appropriation for purposes for which debt has or may be authorized for an equal or longer period than the original loan. Additions to the levy limit for a Proposition 2 ½ debt exclusion are restricted to the true interest cost incurred to finance the excluded project. If the premium is not used to pay project costs and reduce the amount of a debt-excluded borrowing, the annual debt exclusion must be adjusted to reflect the true interest rate.

**Bond Rating (Municipal)** – A credit rating assigned to a municipality to help investors assess the future ability, legal obligation, and willingness of the municipality (bond issuer) to make timely debt service payments. Stated otherwise, a rating helps prospective investors determine the level of risk associated with a given fixed-income investment. Rating agencies, such as Moody's and Standard & Poor's, use rating systems that designate a letter or a combination of letters and numerals, where AAA is the highest rating and C1 is very low.

**Bonds Authorized and Unissued** – Balance of a bond authorization not yet sold. Upon completion or abandonment of a project, any remaining balance of authorized and unissued bonds may not be used for other purposes but must be rescinded by town meeting or the Town council to be removed from community's books.

**Bulk Sale of Tax Receivables** – A community may make bulk assignments of its delinquent property tax receivables and liens to third parties (MGL c. 60 § 2C). DLS recommends municipal officers discuss whether to use this authority and what receivables would be assigned.

**Bureau of Accounts (BOA)** – A bureau within the Division of Local Services charged with overseeing municipal execution of financial management laws, rules and regulations.

**Bureau of Local Assessment (BLA)** – Bureau within the Division of Local Services charged with overseeing municipal execution of state laws, rules and regulations involving real and personal property assessments. BLA is also responsible for

determining equalized valuations and overseeing the valuation of state-owned land.

**Capital Asset** – Any tangible property used in the operation of government that is not easily converted into cash and that has an initial useful life extending beyond a single financial reporting period. Capital assets include land and land improvements; infrastructure, such as roads, bridges, water and sewer lines; easements; buildings and building improvements; vehicles, machinery and equipment. Communities typically define capital assets in terms of a minimum useful life and minimum initial cost.

**Capital Budget** – An appropriation or spending plan that uses borrowing or direct outlay for capital or fixed asset improvements. Among other information, a capital budget should identify the method to finance each recommended expenditure (e.g., tax levy or rates) and identify those items that were not recommended.

**Capital Improvement Program** – A blueprint for planning a community's capital expenditures that comprises an annual capital budget and a five-year capital plan. It coordinates community planning, fiscal capacity, and physical development. While all the community's needs should be identified in the program, there is a set of criteria that prioritize the expenditures.

**Capital Outlay** – The exchange of one asset (cash) for another (capital asset) with no ultimate effect on net assets. Also known as "pay as you go," it is the appropriation and use of available cash to fund a capital improvement, as opposed to incurring debt to cover the cost.

**Capital Outlay Expenditure Exclusion** – A temporary increase in the tax levy to fund a capital project or to make a capital acquisition. Such an exclusion requires a two-thirds vote of the selectmen or Town council (sometimes with the mayor's approval) and a majority vote in a communitywide referendum. The exclusion is added to the tax levy only during the year in which the project is being funded and may increase the tax levy above the levy ceiling.

**Cash Book** – A source book of original entry that a treasurer is required to maintain for the purpose of recording municipal receipts, adjustments to balances, deposits to municipal accounts, and disbursements through warrants.

**Categorical Grant** – A type of intergovernmental payment that is characterized by extensive restrictions on the uses to which the funds may be "spent" by the recipient government.

**Chapter 70 School Aid** – Chapter 70 refers to the school funding formula created under the Education Reform Act of 1993 by which state aid is distributed through the Cherry Sheet to help establish educational equity among municipal and regional school districts.

**Chapter 90 Highway Funds** – State funds derived from periodic transportation bond authorizations and apportioned to communities for highway projects (MGL c. 90 § 34). **Chapter Land** – Forest, agricultural/horticultural, and recreational lands classified, valued, and taxed according to MGL c. 61, 61A, and 61B. Land is valued at its current use rather than the full and fair cash value. The commercial property tax rate is applicable for land defined under these chapters, unless the community adopts a local option provision within each chapter to apply the open space rate.

**Cherry Sheet** – Named for the cherry-colored paper on which they were originally printed, the Cherry Sheet is the official notification to cities, towns, and regional school districts of the next fiscal year's state aid and assessments. The aid is in the form of distributions, which provide funds based on formulas and reimbursements that provide funds for costs incurred during a prior period for certain programs or services.

**Cherry Sheet Assessments** – Estimates of annual charges to cover the costs of certain state and county programs.

**Cherry Sheet Offset Items** – Local aid that may be spent without appropriation in the budget, but which must be spent for specific municipal and regional school district programs. Current offset items include



racial equality grants, school lunch grants, and public library grants. (See Offset Receipts)

**Classification of Real Property** – Assessors are required to classify all real property according to use into one of four classes: residential, open space, commercial, and industrial. Having classified the real property, local officials are permitted to determine locally, within limits established by statute and the Commissioner of Revenue, what percentage of the tax burden is to be borne by each class of real property and by personal property owners.

**Classification of the Tax Rate** – Each year, the select board or Town council vote whether to exercise certain tax rate options. Those options include choosing a residential factor (MGL c. 40 § 56), and determining whether to offer an open space discount, a residential exemption (c. 59, § 5C), and/or a small commercial exemption (c. 59, § 5I) to property owners.

**Code of Ethics** – The provisions and requirements of MGL c. 286A pertaining to the standards of behavior and conduct to which all public officials and employees are held. (See State Ethics Commission)

**Collective Bargaining** – The process of negotiating workers' wages, hours, benefits, working conditions, etc., between an employer and some or all of its employees, who are represented by a recognized labor union.

**Commitment** – This establishes the liability for individual taxpayers. For example, the assessors' commitment of real estate taxes fixes the amount the collector will bill and collect from property owners.

**Community Preservation Act (CPA)** – Enacted as MGL c. 44B in 2000, the CPA permits cities and towns accepting its provisions to establish a restricted fund from which monies can be appropriated only for a) the acquisition, creation and preservation of open space; b) the acquisition, preservation, rehabilitation, and restoration of historic resources; c) the acquisition, creation, preservation, rehabilitation, and restoration of land for recreational use; d) the acquisition, creation, preservation and support of community housing; e)

the rehabilitation and restoration of open space or community housing that is acquired or created using monies from the fund; and (f) a municipal affordable housing trust. Acceptance requires town meeting or Town council approval or a citizen petition, together with referendum approval by majority vote. The local program is funded by a local surcharge of up to 3 percent on real property tax bills and matching dollars from the state generated from registry of deeds fees.

**Community Preservation Fund** – A special revenue fund established pursuant to MGL c. 44B to receive all monies collected to support a CPA program, including but not limited to, tax surcharge receipts, proceeds from borrowings, funds received from the state, and proceeds from the sale of certain real estate.

**Computer Assisted Mass Appraisal (CAMA) System** – An automated system for maintaining property data, valuing property, and ensuring tax equity through uniform valuations.

**Conservation Fund** – A Town or town may appropriate money to a conservation fund, which may be expended by the conservation commission for lawful conservation purposes as described in MGL c. 40 § 8C. The money may also be expended by the conservation commission for damages arising from an eminent domain taking provided that the taking was approved by a two-thirds vote of the Town council or town meeting.

**Contingent Appropriation** – An appropriation that authorizes spending for a particular purpose only if subsequently approved in a voter referendum. Under MGL c. 59 § 21C (m), towns may make appropriations from the tax levy, available funds, or borrowing contingent on the subsequent passage of a Proposition 2½ override or exclusion question for the same purpose. If initially approved at an annual town meeting, voter approval of the contingent appropriation must occur by September 15. Otherwise, the referendum vote must occur within 90 days after the town meeting dissolves. The question may be placed before the voters at more than one election, but if the appropriation is not approved by the applicable deadline, it is null and void. If contingent appropriations are funded through

property taxes, DLS cannot approve the tax rate until the related override or exclusion question is resolved or the deadline passes, whichever occurs first.

**Contingent Debt** – Debt that is not in the first instance payable as a direct obligation of the governmental unit but has been guaranteed by a pledge of its faith and credit. The obligation to pay by the guarantor arises upon the default of the borrower. An industrial revenue bond guaranteed by a municipality would constitute contingent debt.

**Contingent Liabilities** – Items that may become liabilities as the result of conditions undetermined at a given date, such as guarantees, pending lawsuits, judgments under appeal, unsettled disputed claims, unfilled purchase orders, and uncompleted contracts.

**Corporations Book (the Corp Book)** – Annually updated and published by DLS, the Corp Book provides a listing of the domestic and foreign corporations doing business in Massachusetts as of January 1 that are subject to a tax or excise under MGL Chap. 59 (local property tax), 60A (motor vehicle excise), or 63 (corporation excises). The listing provides useful information to assessors about the taxable status of businesses located in their community.

**Cost Approach** – A method used to estimate the present market value of an existing property by calculating the current cost to rebuild it, then adjusting the cost downward for depreciation based on the property's actual age. Land is valued separately and added to the depreciated replacement cost.

**Current Refunding of Debt** – The process of immediately applying proceeds of refunding debt to redeem the old debt. That is, the maturity date on the old debt coincides with the issuance date of the new borrowing obligation. (See Refunding of Debt and Advance Refunding of Debt)

**Cyclical Inspection Program** – A cyclical reinspection program involves completing an interior and exterior inspection of all property over a multiyear period, not exceeding nine years.

**Data Collection** – Process of inspecting real and personal property and recording its attributes, quality, and condition.

**Debt Authorization** – Formal approval by a two-thirds vote of town meeting or Town council to incur debt, in accordance with procedures stated in MGL c. 44 §§ 1, 2, 3, 4a, 6-15.

**Debt Burden** – The amount of debt carried by an issuer usually expressed as a measure of value (e.g., debt as a percentage of assessed value, debt per capita, etc.). Sometimes debt burden refers to debt service costs as a percentage of the total annual budget.

**Debt Exclusion** – An action taken by a community through a referendum vote to raise the funds necessary to pay debt service costs for a particular project from the property tax levy but outside of the limits under Proposition 2½. By approving a debt exclusion, a community calculates its annual levy limit under Proposition 2½, then adds the excluded debt service cost. The amount is added to the levy limit for the life of the debt only and may increase the levy above the levy ceiling.

**Debt Limit** – The maximum amount of debt a municipality may authorize for qualified purposes under state law. Under MGL c. 44 § 10, debt limits are set at 5 percent of EQV. By petition to the Municipal Finance Oversight Board, a community can receive approval to increase its debt limit to 10 percent of EQV.

**Debt Service** – The repayment cost, usually stated in annual terms and based on an amortization schedule, of the principal and interest on any particular bond issue.

**Debt Service Fund** – Governmental fund type used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. In Massachusetts, these are only allowed by special legislation.

**Debt Statement** – A report that local treasurers are required to file with DLS showing the authorized and issued debt, retired debt, and interest paid by a community during the prior fiscal year, as well as

authorized but unissued debt at year-end. Also known as the "Statement of Indebtedness."

**Deferred Revenue** – Amounts that do not meet the criteria for revenue recognition. Also, earned amounts that are not yet available to liquidate liabilities of a current period.

**Deficit** – The excess of expenditures over revenues during an accounting period. Also refers to the excess of the liabilities of a fund over its assets.

**Deficit Bonds** – Long-term borrowing vehicle intended to fund operating deficits and available to cities and towns only through special legislation.

**Demand Notice** – When a tax bill becomes past due, the collector sends a demand notice requesting payment. The collector is required to issue a demand before initiating a tax taking.

**Department of Elementary and Secondary Education (DESE)** – State department providing resources to school administrators, teachers, students and parents in Massachusetts. The DESE Finance section deals with a wide range of school finance issues and takes a major role in determining state aid to municipalities for education via the Local Aid projects that make up the Cherry Sheet process.

**Deputy Collector** – A vendor empowered to take enforcement and collection actions on behalf of a community's collector.

**Designated Unreserved Fund Balance** – A limitation on the use of all or part of the expendable balance in a governmental fund.

**DLS** – The Department of Revenue's Division of Local Services

**Emergency Spending** – MGL c. 44 § 31 allows a community to spend in excess of appropriation in cases of major disasters that pose immediate threats to the health or safety of people or property, following an emergency declaration by the Governor or two-thirds vote of the council or select board and the approval of the Director of Accounts.

**Encumbrance** – A reservation of funds to cover an obligation arising from a purchase order, contract, or

salary commitment chargeable to, but not yet paid from, a specific appropriation account.

**Enterprise Fund** – Authorized by MGL c. 44 § 53F½, an enterprise fund is a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. It allows a community to demonstrate to the public the portion of a service's total costs recovered through user charges and the portion subsidized by the tax levy, if any. With an enterprise fund, all costs of service delivery--direct, indirect, and capital --are identified. This allows the community to recover total service costs through user fees if it chooses. Enterprise accounting also enables communities to reserve the "surplus," or retained earnings, generated by the enterprise operation rather than closing this out to the general fund at year-end. Services that may be treated as enterprises include, but are not limited to, water, sewer, hospital, and airport services.

**Equalized Valuations (EQVs)** – An estimate of the full and fair cash value (FFCV) of all property in the state as of a certain taxable date. EQVs have historically been used as a variable in distributing some state aid accounts and in determining county assessments and other costs. The Commissioner of Revenue, in accordance with MGL c. 58 § 10C, is charged with the responsibility of biennially determining an equalized valuation for each Town and town in the state.

**Excess and Deficiency (E&D)** – Also called the "surplus revenue" account, this is the amount by which cash, accounts receivable, and other assets exceed a regional school district's liabilities and reserves as certified by the Director of Accounts. The calculation is based on a year-end balance sheet submitted to DLS by the district's auditor, accountant, or comptroller. E&D is not available for appropriation until certified by the Director of Accounts.

**Excess Levy** – The difference between the levy limit and the amount of real and personal property taxes actually levied in a given year.

**Exemption** – A discharge, established by statute,

from the obligation to pay all or a portion of a property tax. The exemption is available to particular categories of property or persons upon the timely submission and approval of an application to the assessors. Properties exempt from taxation include hospitals, schools, houses of worship, and cultural institutions. Persons who may qualify for exemptions include disabled veterans, blind individuals, surviving spouses, and seniors.

**Exemption Date** – Real estate tax exemption status is determined as of July 1. All qualifying factors must be met as of that date.

**Expenditure** – An outlay of money made by a municipality to provide the programs and services within its approved budget.

**Federal Aid Anticipation Note (FAAN)** – Short-term debt instrument used to generate cash with the expectation that the debt will be paid from anticipated federal aid. As with a note, FAANs are typically issued for a term of less than one year and are full faith and credit obligations.

**Fiduciary Funds** – Repository of money held by a municipality in a trustee or as an agent for individuals, private organizations, other governmental units, and other funds. These include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds.

**Field Review Audit** – A review of assessment valuation methods and support documentation by the BLA performed as a prerequisite to a five-year certification of property values.

**Finance Control Board** – A board created by special legislation and comprised of state officials to oversee the financial management of a community, which may have received deficit borrowing authorization or state loans to finance operating deficits.

**Financial Advisor** – An individual or institution that assists municipalities in the issuance of tax-exempt bonds and notes. The public finance department of a commercial bank or a non-bank advisor usually provides this service.

**Financial Disclosure Law** – MGL c. 268B requires certain individuals, officials and candidates for elected office to file statements of financial interests with the State Ethics Commission.

**Financial Statement** – A presentation of the assets and liabilities of a community as of a particular date, most often after the close of the fiscal year.

**Fiscal Year (FY)** – Since 1974, the Commonwealth and municipalities have operated on a budget cycle that begins July 1 and ends June 30. Since 1976, the federal government fiscal year has begun on October 1 and ended September 30. In each case, the designation of the fiscal year is that of the calendar year in which the fiscal year ends.

**Fixed Assets** – Long-lived, tangible assets, such as buildings, equipment and land, obtained or controlled as a result of past transactions or circumstances.

**Fixed Costs** – Costs legally or contractually mandated, such as retirement, FICA/Social Security, insurance, debt service, or interest on loans.

**Foundation Budget** – The spending target imposed by DESE for each school district as the level necessary to provide an adequate education for all students.

**Free Cash** – Remaining, unrestricted funds from operations of the previous fiscal year, including unexpended free cash from the previous year, actual receipts in excess of revenue estimated on the tax recapitulation sheet, and unspent amounts in budget line items. Unpaid property taxes and certain deficits reduce the amount that can be certified as free cash.

The calculation of free cash is based on the June 30 balance sheet, which is submitted by the community's auditor, accountant, or comptroller. Free cash is not available for appropriation until certified by the Director of Accounts. (See Available Funds)

**Full and Fair Cash Value** – The Massachusetts Supreme Judicial Court defines fair cash value as the "fair market value", which is the price an owner willing but not under compulsion to sell ought to receive from one willing but not under compulsion to buy. It means the highest price that a normal purchaser not under

peculiar compulsion will pay at the time and cannot exceed the sum that the owner after reasonable effort could obtain for his property. A valuation limited to what the property is worth to the purchaser is not market value. The fair cash value is the value the property would have on January 1 of any taxable year in the hands of any owner, including the present owner.” (Boston Gas Co. v. Assessors of Boston, 334 Mass. 549, 566 (1956))

**Full Faith and Credit Obligations** – A pledge of the general taxing powers for the payment of governmental obligations. Bonds carrying such pledges are usually referred to as general obligation or full-faith-and-credit bonds.

**Full Measure and List** – An inspection program completed by assessors to maintain up-to-date property records. Properties are literally measured and relisted in the assessors' records with any changes in condition since the last inspection. Also referred to as a cyclical inspection program, BLA recommends a full measure and list be completed once in every nine-year cycle.

**Fund** – An accounting entity with a self-balancing set of accounts that is segregated for the purpose of carrying on identified activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations. Within a fund, financial resources and activity (assets, liabilities, fund balances, revenues, and expenditures) are accounted for independently. Examples of funds include the general fund and enterprise funds.

**Fund Accounting** – Organizing the financial records of a municipality into multiple, segregated locations for money. Communities whose accounts are organized according to the Uniform Municipal Accounting System (UMAS) use multiple funds.

**Fund Balance** – The difference between assets and liabilities reported in a governmental fund. Also known as fund equity.

**General Fund** – The fund used to account for most financial resources and activities governed by the normal town meeting or Town council appropriation

process.

**General Fund Subsidy** – Most often used in the context of enterprise funds. When the revenue generated by rates or user fees is insufficient to cover the cost of providing a particular service, general fund money is used to close the gap in the form of a subsidy. The subsidy may or may not be recovered by the general fund in subsequent years.

**General Ledger (GL)** – The accountant's record of original entry, a general ledger, is a set of numbered accounts used to track financial transactions and prepare financial reports. Each account is a distinct record summarizing each type of asset, liability, equity, revenue and expense. A chart of accounts lists all the accounts in the general ledger.

**General Obligation Bonds** – Bonds issued by a municipality that are backed by the full faith and credit of its taxing authority.

**Government Finance Officers Association (GFOA)** – A nationwide association of public finance professionals.

**Governmental Accounting Standards Board (GASB)** – The ultimate authoritative accounting and financial reporting standard-setting body for state and local governments.

**Governmental External Investment Pool** – An arrangement that commingles money of multiple, legally separate entities and invests in an investment portfolio on the participants' behalf. A pool can be sponsored by an individual government, jointly by multiple governments, or by a nongovernmental entity. An example is the Massachusetts Municipal Depository Trust.

**Governmental Funds** – Funds generally used to account for tax-supported activities. There are five different types of governmental funds: general, special revenue, capital project, debt service, and permanent.

**Grant Anticipation Notes (GAN)** – Short-term, interest-bearing notes issued by a government to raise capital to be repaid by grant proceeds anticipated at a later date. GANs allow the recipient

of the grant to begin carrying out the purpose of the grant immediately.

**Home Rule** – Refers to the power of municipalities to regulate their affairs by bylaws/ordinances or home rule charters subject to certain limitations.

**Home Rule Charter** – An alternative, under MGL c. 43B, to create a charter commission by which cities and towns may create, adopt, revise and amend local charters.

**Income Approach** – A method of estimating property value by converting anticipated net rental revenue generated by the property into an indication of market value. Used primarily to value commercial/industrial properties and apartment buildings, which are normally bought and sold on the basis of their income producing capabilities.

**Indirect Cost** – Costs of a service not reflected in the operating budget of the entity providing the service. The matter of indirect costs arises most often in the context of enterprise funds. An example of an indirect cost of providing water service would be the value of time spent by non-water-department employees who process water bills. A determination of these costs is necessary to analyze the total cost of service delivery.

**Informational Guideline Release (IGR)** – Provided on the DLS website, IGRs are DLS publications that outline a policy or administrative procedure or that provide a law update related to municipal finance.

**Inside Debt** – Municipal debt incurred for purposes enumerated in MGL c. 44, § 7 and within the community's debt limit, which is an amount no higher than five percent of the community's equalized valuation. Because this type of borrowing is below the debt limit, it is referred to as inside debt. (See Outside Debt)

**Interest** – Compensation paid or to be paid for the use of money, including amounts payable at periodic intervals or discounted at the time a loan is made. In the case of municipal bonds, interest payments accrue on a day-to-day basis but are paid every six months.

**Interest Rate** – The interest payable, expressed as a percentage of the principal available, for use during a specified period of time. It is always expressed in annual terms.

**Interim-year Valuation Adjustment** – State law requires that local assessed values reflect market value every year. Every five years, BLA reviews and certifies that an individual community's assessed values meet this standard. In between these five-year revaluations, a community must complete an annual analysis to determine whether an interim-year value adjustment is warranted and report the results to BLA. Depending on market conditions and property value trends, adjustments may increase or decrease values or leave them unchanged.

**Internal Service Fund** – A municipal accounting fund used to accumulate the cost of central services, such as data processing, printing, postage, and motor pool. Costs or charges to an internal service fund are then allocated to other departments or funds within the governmental unit.

**Investments** – Securities and real estate held for the production of income in the form of interest, dividends, rentals, or lease payments. The term does not include fixed assets used in governmental operations.

**Joint Labor Management Committee (JLMC)** – The JLMC's purpose is to mediate police officer or fire fighter collective bargaining disputes with municipalities when negotiations reach impasses.

The JLMC only enters a collective bargaining process when petitioned to do so by either party or by both parties acting jointly.

**Land Court** – Established in 1898, the Land Court has the exclusive jurisdiction to foreclose rights of redemption on a property in tax title.

**Land of Low Value (MGL c. 60 § 79)** – After 90 days from the date of a tax taking, the treasurer may work with the assessors to pursue a land of low value foreclosure through DLS, an alternative foreclosure procedure to seeking a Land Court decree. Annually, DLS publishes the maximum valuation of parcels qualifying for the land of low value foreclosure

procedure.

**Land Schedule** – Typically developed by assessors and revaluation consultants, this is a table used to arrive at consistent assessed values for land within defined neighborhoods.

**Legal Opinion (re: debt issuance)** – An opinion by an attorney or law firm that bonds have been legally issued by a public body, and, usually, that the bonds are exempt from federal income taxes and some Massachusetts taxes under existing laws, regulations, and rulings.

**Levy** – The amount a community raises through the property tax. The levy can be any amount up to the levy limit, which is reestablished every year in accordance with Proposition 2½ provisions.

**Levy Ceiling** – A levy ceiling is one of two types of levy (tax) restrictions imposed by MGL c. 59 § 21C (Proposition 2½). It states that, in any year, the real and personal property taxes imposed may not exceed 2½ percent of the total full and fair cash value of all taxable property. Property taxes levied may exceed this limit only if the community passes a capital exclusion, debt exclusion, or special exclusion.

**Levy Limit** – A levy limit is one of two types of levy (tax) restrictions imposed by MGL c. 59 § 21C (Proposition 2½). It states that the real and personal property taxes imposed by a Town or town may only grow each year by 2½ percent of the prior year's levy limit, plus new growth and any overrides or exclusions. The levy limit can exceed the levy ceiling only if the community passes a capital expenditure exclusion, debt exclusion, or special exclusion.

**Lien** – A legal claim against real or personal property to protect the interest of a party (e.g., a Town or town) to whom a debt is owed (e.g., taxes). In the case of real property, the lien in favor of a municipality automatically arises each January 1, but it must be secured through other action.

**Lien Date** – The date a lien arises on real property to protect the municipality's right to payment of taxes. Property tax liens arise by law on the January 1 assessment date. The lien is secured when the

collector makes a tax taking and places the property in tax title. Unless the lien is secured, it expires if five years elapse from the January 1 assessment date and the property is transferred in the meantime.

**Line-item Budget** – A budget that stratifies spending into categories of greater detail, such as supplies, equipment, maintenance, or salaries, as opposed to a program budget.

**Line-item Transfer** – The reallocation of a budget appropriation between two line items within an expenditure category (e.g., salaries, expenses). Employed as a management tool, line-item transfer authority allows department heads to move money where a need arises for a similar purpose without altering the bottom line. Whether or not line-item transfers are permitted depends on how the budget is presented (i.e., its format) and what level of budget detail town meeting approves.

**Local Aid** – Revenue allocated by the state to cities, towns, and regional school districts. Estimates of local aid are transmitted to cities, towns, and districts annually by the Cherry Sheets. Most Cherry Sheet aid programs are considered general fund revenues and may be spent for any purpose, subject to appropriation.

**Local Receipts** – Locally generated revenues other than real and personal property taxes. Examples include motor vehicle excise, investment income, hotel/motel tax, fees, rentals, and charges.

**Long-term Debt** – Community borrowing, or outstanding balance at any given time, involving loans with a maturity date of 12 months or more. (See Permanent Debt)

**Massachusetts Certified Public Purchasing Official (MCPPO)** – A certification and designation program for public officials responsible for municipal procurements in Massachusetts. (See Uniform Procurement Act)

**Massachusetts Municipal Depository Trust (MMDT)** – An investment program, founded in 1977 under the supervision of the State Treasurer, in which municipalities may pool excess cash for investment.

**Massachusetts School Building Authority (MSBA)** – Administers the state program that reimburses cities, towns, and regional school districts varying percentages of their school construction costs depending on the community's or district's wealth and the category of reimbursement.

**Material Weakness** – An audit term for a significant deficiency in a community's internal financial controls. It is a reportable condition (internal control weakness) of such magnitude as to potentially result in material misstatements of financial condition.

**Maturity Date** – The date that the principal of a bond becomes due and payable in full.

**MGL** – Massachusetts General Laws

**Minimum Required Local Contribution** – The minimum that a Town or town must appropriate from property taxes and other local revenues for the support of schools (Education Reform Act of 1993).

**Minimum Residential Factor (MRF)** – Massachusetts' law allows for a shift of the tax burden from the residential and open space classes of property to the commercial, industrial and personal property classes (CIP). The MRF, established by the Commissioner of Revenue, is used to make certain the tax burden shift complies with the law. If the MRF would be less than .65, the community cannot make the maximum shift and must use a CIP factor less than 1.50 percent. Under specified conditions, some communities may use a CIP factor of up to 1.75 percent.

**Motor Vehicle Excise** – A locally imposed annual tax assessed to owners of motor vehicles registered to addresses within the community (MGL c. 60A). The excise tax rate is set by statute at \$25.00 per \$1,000 of vehicle value.

**Multiple Regression** – A technique for valuing real property that uses an equation generated through sales analysis to estimate the value of unsold properties.

**Municipal(s)** (As used in the bond trade) - "Municipal" refers to any state or subordinate governmental unit. Municipals (i.e., municipal bonds)

include not only the bonds of all political subdivisions, such as cities, towns, school districts, and special districts but also bonds of the state and agencies of the state.

**Municipal Bond Insurance** – An insurance policy that guarantees the interest and principal on a bond issue will be paid as scheduled. The municipal bond insurer will pay the debt whether or not the default was caused by an economic crisis or a natural disaster.

**Municipal Charges Lien** – For delinquent water (MGL c. 40 §§ 42A-F), sewer (MGL c. 83 §§ 16A-F), and trash (MGL c. 44 § 28C(f)) charges, a community may lien these amounts on the property tax, provided the enabling legislation is accepted and a certificate of acceptance is on file at the Registry of Deeds. For other unpaid local charges and fees, a community may adopt MGL c. 40 § 58 separately for each purpose in order to lien each upon the property tax. The lien is created by recording a listing of a particular type of charge or fee (by parcel of land and by name) at the Registry of Deeds.

**Municipal Finance Oversight Board** – This board (consisting of the attorney general, state treasurer, state auditor, and director of accounts) approves use of qualified bonds and certain other municipal borrowings and other actions.

**Municipal Revenue Growth Factor (MRGF)** – An estimate of the percentage change in a municipality's revenue growth for a fiscal year. It represents the combined percentage increase in the following revenue components: automatic 2½ percent increase in the levy limit, estimated new growth, change in selected unrestricted state aid categories, and the change in selected unrestricted local receipts (Education Reform Act of 1993).

**Net School Spending (NSS)** – School budget and municipal budget amounts attributable to education, excluding long-term debt service, student transportation, school lunches, and certain other specified school expenditures. A community's NSS funding must equal or exceed the NSS Requirement established annually by the Department of Elementary and Secondary Education (Education



Reform Act of 1993).

**New Growth** – The additional tax revenue generated by new construction, renovations and other increases in the property tax base during a calendar year. It does not include value increases caused by normal market forces or revaluations.

**Nonrecurring Revenue Source** – A one-time source of money available to a Town or town. By its nature, a nonrecurring revenue source cannot be relied upon in future years, and therefore, such funds should not be used for operating or other expenses that continue from year to year.

**Note** – A short-term loan, typically with a maturity date of a year or less.

**Official Statement** – A document prepared for potential investors containing information about a prospective bond or note issue and the issuer. The official statement is typically published with the notice of sale and sometimes called an offering circular or prospectus.

**Offset Receipts** – A local option that allows a particular department's estimated receipts to be earmarked for the department's use and appropriated to offset its annual operating budget. If accepted, MGL c. 44 § 53E limits the amount of offset receipts appropriated to no more than the actual receipts collected for the prior fiscal year. The Director of Accounts must approve any use of a higher amount before appropriation. Actual collections that are greater than the amount appropriated close to the general fund at year-end. If actual collections are less, the deficit must be raised in the next year's tax rate.

**OPEB (Other Postemployment Benefits)** – Many public employees earn benefits over their years of service that they do not receive until after their government employment ends. While pensions are the most common of these, other postemployment benefits generally include combinations of health, dental, vision, and life insurances. These are provided to eligible retirees and sometime to their beneficiaries, and as a group, are referred to as OPEB.

**Operating Budget** – The plan of proposed expenditures for personnel, supplies, and other expenses for the coming fiscal year.

**Other Amounts to be Raised** (as detailed on the Tax Recap) – Amounts not appropriated but raised through taxation. Generally, these are locally generated expenditures (e.g., overlay, teacher pay deferrals, deficits), as well as state, county, and other special district charges. Because they must be funded in the annual budget, special consideration should be given to them when finalizing budget recommendations to the Town council or town meeting.

**Outside Debt** – Municipal borrowing for purposes enumerated in MGL c. 44, § 8. Since this debt is not measured against a community's debt limit per c. 10, the borrowing is outside the debt limit and therefore referred to as outside debt. (See Inside Debt)

**Overlapping Debt** – A community's proportionate share of the debt incurred by an overlapping government entity, such as a regional school district, regional transit authority, etc.

**Overlay (Overlay Reserve, or Allowance for Abatements and Exemptions)** – An account that funds anticipated property tax abatements, exemptions, and uncollected taxes. Additions to the overlay reserve need not be funded by the normal appropriation process but instead raised on the tax rate recapitulation sheet.

**Overlay Deficit** – A deficit that occurs when the abatements and statutory exemptions charged to the overlay during a fiscal year exceed the account balance. Overlay deficits must be provided for in the next fiscal year.

**Overlay Surplus** – Any balance in the overlay account in excess of the amount remaining to be collected or abated can be transferred to this account. Within 10 days of a written request by the community's chief executive officer, the assessors must provide a certification of the excess amount of overlay available to transfer, if any. Overlay surplus may be appropriated for any lawful purpose. At the end of each fiscal year, unused overlay surplus is

closed to surplus revenue; in other words, it becomes a part of free cash.

**Override** – A vote by a community at an election to permanently increase the levy limit. An override vote may increase the levy limit no higher than the levy ceiling. The override question on the election ballot must state a purpose for the override and the dollar amount.

**Override** – The difference between a community's levy ceiling and its levy limit. It is the maximum amount by which a community may override its levy limit.

**Payment in Lieu of Taxes (PILOT)** – An agreement between a municipality and an entity not subject to taxation, such as a charitable or educational organization, whereby the organization agrees to make a voluntary payment to the municipality. By law, a Town or town must make such a payment to any other community in which it owns land used for public purposes.

**Pension (or other employee benefit) Trust Funds** – A fiduciary fund type used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other post-employment benefit (OPEB) plans, or other employee benefit plans.

**Pension Cost** – A measure of the periodic cost of an employer's participation in a defined benefit pension plan.

**Pension Plan** – An arrangement for the provision of pension benefits to employees upon their retirements. All assets accumulated are used to pay benefits (including refunds of member contributions) to plan members or beneficiaries, as defined by the plan's terms.

**PERAC (Public Employee Retirement Administration)** - Oversees and directs the state retirement system and administers benefits for members.

**Permanent Debt** – Borrowing by a community typically involving a debt service amortization period

of greater than one year. (See Long-term Debt)

**Permanent Funds** – A fiduciary fund type used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (that is, for the benefit of the government for its citizenry). An example is a cemetery perpetual care fund.

**Personal Property** – Movable items not permanently affixed to, or part of, the real estate. It is assessed separately from real estate to certain businesses, public utilities, and owners of homes that are not their primary residences.

**Preliminary Tax** – The tax bill for the first two quarters of the fiscal year, sent by communities on quarterly tax billing cycles or on annual preliminary billing systems. The tax bill is sent by July 1 and can generally be no greater than 50% of the amount due in the previous fiscal year.

**Principal** – The face amount of a bond, exclusive of accrued interest.

**Private-purpose Trust Funds** – A fiduciary trust fund type used to report all trust arrangements (other than those properly reported in pension trust funds or investment trust funds), under which the principal and income benefits individuals, private organizations, or other governments. An example is a scholarship fund.

**Pro Forma Recap Sheet** – The Tax Recap sheet that communities on semiannual tax billing cycles submit to DLS when seeking to send optional preliminary tax bills for the first half of the fiscal year. This is done either because a community is in a recertification year or has a valuation-related delay in setting the tax rate.

**Proposition 2½** – A state law enacted in 1980, Proposition 2½ regulates local property tax administration and limits the amount of revenue a Town or town may raise from local property taxes each year to fund municipal operations.

**Purchase Order** – An official document or form authorizing the purchase of products and services.

**Qualified Bond** – A program unique to Massachusetts for municipalities with marginal credit ratings, in which the State Treasurer pays the debt service directly from a community's local aid, thereby reinforcing the security of the bond and improving its marketability. The Municipal Finance Oversight Board authorizes issuance of these bonds under c. 44A.

**Five-year Certification** – The Commissioner of Revenue, through BLA, is required to review local assessed values every five years to certify that they represent full and fair cash value. Refer to MGL c. 40 § 56 and c. 59 § 2A(c).

**Raise and Appropriate** – A phrase used to identify an expenditure's funding source as money generated by the tax levy or other local receipt.

**Real Property** – Land, buildings, and the rights and benefits inherent in owning them.

**Receipts Reserved for Appropriation** – Proceeds earmarked by law and placed in separate accounts for appropriation for particular purposes. For example, ambulance charges may be appropriated to offset expenses in providing ambulance services.

**Receivables** – An expectation of payment of an amount certain accruing to the benefit of a Town or town.

**Reconciliation of Cash** – The process whereby the accountant and treasurer compare records to confirm available cash in community accounts.

**Reconciliation of Receivables** – The process whereby the accountant and collector compare records to confirm the amount of outstanding taxes.

**Records Disposition Schedule** – Published by the Secretary of State's Records Management Division and pursuant to MGL c. 66, these guidelines on municipal records inform local officials as to how long and in what form records must be maintained and identifies those that may be lawfully disposed.

**Recurring Revenue Source** – A source of money used to support municipal expenditures, which by its nature can be relied on, at some level, in future

years. (See Nonrecurring Revenue Source)

**Refunding of Debt** – Transaction whereby one bond issue is redeemed and replaced by a new bond issue under conditions generally more favorable to the issuer. (See Current and Advance Refunding of Debt)

**Requisition** – Form used by the requesting department when ordering products and services from external vendors. This document generates a purchase order.

**Reserve Fund** – An amount (not to exceed 5 percent of the tax levy for the preceding year) set aside annually within a community's budget to provide a funding source for extraordinary or unforeseen expenditures. In a town, the finance committee can authorize transfers from this fund for "extraordinary or unforeseen" expenditures. Other uses of the fund require budgetary transfers by town meeting. In a Town, transfers from this fund may be voted by the Town council upon recommendation of the mayor.

**Residential Exemption** – A municipality can grant a residential exemption of a dollar amount that cannot exceed 35 percent of the average assessed value of all residential class properties. The exemption reduces, by the adopted percentage, the taxable valuation of each residential parcel that is a taxpayer's principal residence. Granting the exemption raises the residential tax rate and shifts the residential tax burden from moderately valued homes to apartments, summer homes, and higher valued homes.

**Residential Factor** – Adopted by a community annually, this governs the percentage of the tax levy to be paid by property owners. A residential factor of "1" will result in the taxation of all property at the same rate (single tax rate). Choosing a factor of less than one results in increasing the share of the levy raised by commercial, industrial and personal property. Residential property owners will thereby pay a proportionately lower share of the total levy. (See Minimum Residential Factor)

**Retained Earnings** – An equity account reflecting the accumulated earnings of an enterprise fund, which

may be used to fund capital improvements, reimburse the general fund for prior-year subsidies, reduce user charges, or provide for enterprise revenue deficits (operating losses).

**Revaluation** – The assessors of each community are responsible for developing a reasonable and realistic program to achieve the fair cash valuation of property in accordance with constitutional and statutory requirements. The nature and extent of that program depends on the assessors' analyses and consideration of many factors, including, but not limited to, the status of the existing valuation system, results of an in-depth sales ratio study, and accuracy of existing property record information. Every five years, assessors must submit property values to DLS for certification. Assessors must also maintain fair cash values in the years between certifications so that each taxpayer in the community pays his or her share of the cost of local government in proportion to the value of property they own. (See five-year Certification)

**Revenue Anticipation Borrowing** – Cities, towns, and districts may issue temporary notes in anticipation of taxes (TANs) or other revenue (RANs). The amount of this type of borrowing is limited to the total of the prior year's tax levy, the net amount collected in motor vehicle and trailer excise in the prior year, and payments made by the state in lieu of taxes in the prior year. According to MGL c. 44 § 4, cities, towns, and districts may borrow for up to one year in anticipation of such revenue.

**Revenue Anticipation Note (RAN)** – A short-term loan issued to be paid off by revenues, such as tax collections and state aid. RANs are full faith and credit obligations. (See Tax Anticipation Notes, Bond Anticipation Notes)

**Revenue Bond** – A bond payable from and secured solely by specific revenues and thereby not a full faith and credit obligation.

**Revenue Deficit** – The amount by which actual revenues at year-end fall short of projected revenues and appropriation turnback and are insufficient to fund the amount appropriated. Unless otherwise funded, a revenue deficit must be raised in the

following year's tax rate.

**Revolving Fund** – A fund that allows a community to raise revenues from a specific service and use those revenues without appropriation to support the service.

**Rollback Taxes** – Back taxes that become due when land valued, assessed and taxed under MGL c. 61, 61A or 61B no longer qualifies as actively devoted to the purposes specified in each chapter.

**Sale of Cemetery Lots Fund** – A fund established to account for proceeds of the sale of cemetery lots. The proceeds may only be appropriated to pay for the cost of the land, its care and improvement or the enlargement of the cemetery under provisions of MGL c. 114 § 15.

**Sale of Real Estate Fund** – A fund established to account for the proceeds of the sale of municipal real estate other than proceeds acquired through tax title foreclosure. MGL c. 44 § 63 states that such proceeds shall be applied first to the retirement of debt on the property sold. In the absence of such debt, funds may generally be used for purposes for which the Town or town is authorized to borrow for a period of five years or more.

**Sales Comparison Approach** – A method of estimating the value of property by comparing verified data about similar properties that have recently sold or are offered for sale on the open market and adjusting for differences from the subject, or unsold, property.

**Schedule A** – A statement of revenues, expenditures, and other financing sources, uses, changes in fund balance, and certain balance sheet account information prepared annually by the accountant or auditor at the end of the fiscal year. This report is based on the fund account numbers and classifications contained in the UMAS manual.

**Short-term Debt** – The outstanding balance, at any given time, on amounts borrowed with maturity dates of 12 months or less. (See Note)

**Single Audit Act** – For any community that expends \$750,000 or more per year in federal grant awards,

the Single Audit Act establishes audit guidelines that reduce to only one the number of annual audits to be completed to satisfy the requirements of the various federal agencies from which grants have been received.

**Small Commercial Exemption** – A property tax classification option that allows a community to exempt up to 10 percent of the value of a Class Three, commercial parcel. The parcel must be occupied by a small business and have an assessed valuation of less than \$1 million. In effect, the option shifts the tax burden from parcels occupied by small businesses to those occupied by other commercial and industrial taxpayers. Eligible small businesses have an average annual employment of no more than 10 people.

**Special Assessment** – (See Betterments)

**Special Assessment Exemption** – Full discharge from the payment of betterments and special exemptions, granted only to government properties occupied for public purposes.

**Special Exclusion** – For a few limited capital purposes, a community may exceed its levy limit or levy ceiling without voter approval. Presently, there are two special expenditure exclusions: 1) water and sewer project debt service costs that reduce the water and sewer rates by the same amount; and 2) a program to assist homeowners to repair or replace faulty septic systems, remove underground fuel storage tanks, or remove dangerous levels of lead paint to meet public health and safety code requirements. In the second special exclusion, homeowners repay the municipality for the cost-plus interest apportioned over a period of time, not to exceed 20 years (similar to betterments).

**Special Revenue Fund** – Funds, established by statute only, containing revenues that are earmarked for and restricted to expenditures for specific purposes. Special revenue funds include receipts reserved for appropriation, revolving funds, grants from governmental entities, and gifts from private individuals or organizations.

**Stabilization Fund** – A fund designed to accumulate amounts for capital and other future spending purposes, although it may be appropriated for any lawful purpose (MGL c. 40 § 5B). Communities may establish one or more stabilization funds for different purposes and may appropriate any amounts into them. A two-thirds vote of town meeting or Town council is required to establish, amend the purpose of, or appropriate money from a stabilization fund. A majority vote of town meeting or Town council is required to appropriate money into a stabilization fund.

**State Aid Anticipation Note (SAAN)** – A short-term loan issued in anticipation of a state grant or aid (MGL c. 44 § 6A).

**State Ethics Commission** – This state agency was established to foster integrity in government and promote public trust. The Commission enforces a code of ethics and the Financial Disclosure Law.

**State House Notes** – Debt instruments for cities, towns, counties, and districts certified by the Director of Accounts. Payable annually, they are usually limited to maturities of five years and principal amounts of \$2,250,000. The notes are particularly attractive to smaller communities because certification fees are low, they require neither full disclosure nor official statements, and they are issued in a short period of time.

**State Receivership** – (See Finance Control Board)

**Supplemental Tax Assessments on New Construction** (MGL c. 59 § 2D) – A community may make pro rata assessments on the value of improvements that are greater than 50 percent of the billed value, excluding the land value, when an occupancy permit is issued after January 1 (MGL c. 59 § 2D). This provision allows a community to issue a bill (back to the date of occupancy between January 1 - June 30) for the current fiscal year on qualifying property improvements, resulting in additional general revenue. These improvements would be included in the subsequent year's new growth calculation.

**Surety Bond** – A performance bond that protects a

municipality against financial loss arising from a breach of public trust by an employee who collects money on its behalf.

**Surplus Revenue** – The amount by which cash, accounts receivable, and other assets exceed liabilities and reserves.

**Tailings** – Unclaimed municipal funds in the custody of a municipality, which are retained in a repository (referred to as a tailings account) until eventual disposition (MGL c. 200A). Tailings include unclaimed tax refunds, uncashed payroll checks, vendor payments yet to clear, etc.

**Tax Anticipation Notes (TAN)** – A short-term note issued to provide cash to cover operating expenses in anticipation of tax proceeds.

**Tax Increment Financing Exemption (TIF)** – In accordance with MGL c. 59 § 5(51), a property tax exemption negotiated between a community and a private developer, typically implemented over a period up to 20 years, and intended to encourage industrial/commercial development.

**Tax Maps** – Used to determine the location of properties, indicate the size and shape of each parcel, and show their relation to features that affect value. Maps also provide a complete inventory of all land parcels, helping to minimize the problems of omitted parcels and duplication of listing. Also referred to as assessors' maps.

**Tax Possession** – Once a tax title has been foreclosed in Land Court, the treasurer records the decree at the Registry of Deeds as a municipally owned property, which thus becomes a tax possession. For a property issued a Land of Low Value affidavit by DLS, the municipality must hold an auction prior to it becoming a tax possession.

**Tax Rate** – The amount of property tax stated in terms of a unit of the municipal tax base; for example, \$14.80 per \$1,000 of assessed valuation of taxable real and personal property.

**Tax Rate Recapitulation Sheet (the Tax Recap)** – The document a Town or town submits to DLS to set a property tax rate, the recap shows all estimated

revenues and actual appropriations that affect the property tax rate. It should be submitted to DLS by September 1 (in order to issue the first-half semiannual property tax bills before October 1) or by December 1 (to issue actual tax bills on or before December 31 in a quarterly community or a semiannual community issuing annual preliminary tax bills).

**Tax Title (or Tax Taking)** – A collection procedure that secures a municipality's lien on real property and protects its right to payment of overdue property taxes. Without a taking, the lien expires if five years elapse from the January 1 assessment date and the property has been transferred to another owner.

**Tax Title Foreclosure** – The procedure initiated by a Town or town treasurer in Land Court, or through the land of low value process, to obtain legal title to real property already in tax title and on which property taxes are overdue. The treasurer must wait at least six months from the date of a tax taking to initiate Land Court foreclosure proceedings (MGL c. 60 § 65).

**Tax Title Redemption** – The payment by a property owner of all overdue taxes, fees, charges, other costs, and interest on real property that the municipality had placed in tax title. The taxpayer's right to redeem terminates when the treasurer receives a Land Court decree or land of low value affidavit, records the affidavit, and holds an auction.

**Temporary Debt** – Borrowing by a community in the form of notes and for a term of one year or less. (See Short-term Debt)

**Trust Fund** – In general, a fund for money donated or transferred to a municipality with specific instructions on its use. As custodian of trust funds, the treasurer invests and expends such funds as stipulated by trust agreements, as directed by the commissioners of trust funds, or by town meeting. Both principal and interest may be used if the trust is established as an expendable trust. For nonexpendable trust funds, only interest (not principal) may be expended as directed.

**Turnover Sheet** – A form completed by municipal departments that accompanies the physical transfer

of departmental revenues (or bank deposit slips reflecting revenues) to the treasurer.

**Uncollected Funds** – Recently deposited checks that are included in an account's balance but drawn on other banks and not yet credited by the Federal Reserve Bank or local clearinghouse to the bank cashing the checks. These funds may not be loaned or used as part of the bank's reserves, and they are not available for disbursement.

**Override** – A vote by a community to permanently decrease the tax levy limit. It is the exact opposite of an override.

**Undesignated Fund Balance** – Monies in the various government funds as of June 30 that are neither encumbered nor reserved and are therefore available for expenditure once certified as part of free cash. (See Designated Fund Balance)

**Unfunded OPEB Liability** – This is the difference between the value assigned to the benefits (other than retirement) already earned by a municipality's employees and the assets the local government will have on hand to meet these obligations. (See OPEB)

**Unfunded Pension Liability** – This is the difference between the value assigned to the retirement benefits already earned by a municipality's employees and the assets the local retirement system will have on hand to meet these obligations. The dollar value of the unfunded pension liability is redetermined every three years and driven by assumptions about the interest rates at which a retirement system's assets will grow and the rate of the pensioners' future costs of living increases. (See Pension Plan)

**Uniform Municipal Accounting System (UMAS)** – UMAS succeeded the statutory accounting system (STAT) and is regarded as the professional standard for municipal accounting in Massachusetts. As a uniform system for local governments, it conforms to Generally Accepted Accounting Principles (GAAP), offers increased consistency in reporting and recordkeeping, and enhances the comparability of data among cities and towns.

**Uniform Procurement Act** – MGL c. 30B

establishes uniform procedures for local government to use when contracting for supplies, equipment, services, and real estate.

**Unreserved Fund Balance (Surplus Revenue Account)** – The amount by which cash, accounts receivable, and other assets exceed liabilities and restricted reserves. It is akin to a "stockholders' equity" account on a corporate balance sheet. It is not, however, available for appropriation in full because a portion of the assets listed as "accounts receivable" may be taxes receivable and uncollected. (See Free Cash)

**Valuation** – The legal requirement that a community's assessed value on property must reflect its market, or full and fair, cash value.

**Warrant** – An authorization for an action. For example, a town meeting warrant establishes the matters that may be acted on by that town meeting. A treasury warrant authorizes the treasurer to pay specific bills. The assessors' warrant authorizes the tax collector to collect taxes in the amounts and from persons listed.

**Water Surplus** – For water departments operating under MGL c. 41 § 69B, any unspent water appropriations or revenues in excess of estimated water receipts close out to a water surplus account. Water surplus may be appropriated to fund water – related general and capital expenses or to reduce water rates.

**Waterways Improvement Fund** – An account into which 50 percent of the receipts from boat excises and mooring fees imposed under MGL c. 91 § 10A are deposited. Appropriation of these proceeds is limited to certain waterway expenses outlined in MGL c. 40 § 5

