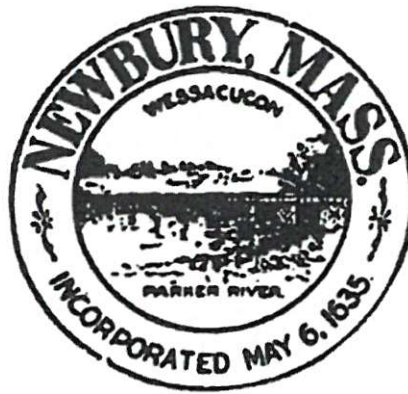


Newbury Massachusetts



FINANCIAL MANAGEMENT POLICIES Adopted September 12, 2017

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INTRODUCTION

In order to ensure the growing and continued financial health of the Town of Newbury, provide the public with confidence that Town officials seriously respect their responsibility for fiscal stewardship, and demonstrate to bond rating agencies that the Town has thoughtfully prepared for its future, the financial policies outlined below shall guide the Town. These policies are a living tool and shall be reviewed by the Town Administrator and designated staff on an annual basis and updated as necessary.

Objectives:

The objectives of the Financial Management Policies are as follows:

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

A. GENERAL BUDGETING POLICIES

A-1 Balanced Budget

Background:

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

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

Policy:

The Town Administrator shall work with the Board of Selectmen and the Finance Committee to develop a balanced budget in accordance with A-2 below to be recommended to Town Meeting. Expenditures shall be realistically budgeted and estimated revenues shall be conservatively budgeted to allow for unanticipated events. The Town shall present the assumptions used in the balanced budget.

In addition, the Town will not balance the budget by using one time or other nonrecurring revenues to fund ongoing expenditures. The Town will not use budgetary procedures that balance the budget at the expense of future years, such as postponing or deferring payment of expenses already incurred, accruing future year revenues, or rolling over short-term debt to avoid making principal payments. The Town budget shall also support a financially sound operating position by maintaining reserves for emergencies and providing sufficient liquidity to pay bills on time and avoid revenue anticipation borrowing.

References:

Town of Newbury By-Law Chapter 11: Finance Committee

M.G.L. c.44, §31

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

A-2 Submission of Budget and Budget Message

Background:

Two important principles of public budgeting are clarity and publicity. The GFOA considers the preparation of the annual budget document of great importance in providing detailed financial information and also explaining the key issues that face the community. It is also important to broadly distribute this information to the staff, elected and appointed officials and the general public in order to

give them a greater understanding of the operations, financing and key issues confronting the community.

Policy:

Chapter 460 of the Acts of 2008 defines the budget responsibilities of the town administrator,

SECTION 15. At least 90 days before the annual town meeting, the town administrator shall submit in writing to the board of selectmen a careful detailed estimate of the probable expenditures of the town government for the ensuing fiscal year, stating the amount required to meet the interest and maturing bonds and notes or other outstanding indebtedness of the town, and showing specifically the amount necessary to be provided for each fund and department, together with a statement of the expenditures of the town for the same purposes in the preceding year and an estimate of the expenditures for the current year. The town administrator shall also submit a statement showing all revenues received by the town in the preceding fiscal year together with an estimate of the receipts of the current year and an estimate of the amount of income from all sources of revenue exclusive of taxes upon property in the ensuing year. The town administrator shall report the probable amount required to be levied and raised by the taxation to defray all expenses and liabilities of the town, together with an estimate of the tax rate necessary to raise that amount. For the purposes of enabling the town administrator to make up the annual estimates of expenditures, all boards, offices, and committees of the town shall, at least 120 days before the annual town meeting, furnish all information in their possession and submit in writing to the town administrator a detailed estimate of the appropriations required for the efficient and proper conduct of their respective departments during the next fiscal year.

SECTION 16. The board of selectmen shall consider the tentative budget submitted by the town administrator and make recommendations relative thereto as it considers expedient and proper in the interests of the town. On or before the seventy-fifth day before the annual town meeting, the board of selectmen shall transmit a copy of the budget, together with its recommendations relative thereto, to each member of the finance committee.

In addition to the above requirements, the Town Administrator shall prepare a budget message that outlines the proposed financial policies for the Town for the ensuing fiscal year, describe the important features of the budget, indicate any major differences from the current fiscal year in financial policies, expenditures, and revenues, together with the reason(s) for such changes, summarize the Town's debt position, and include such other material as the Finance Committee, the Board of Selectmen and Town Meeting may reasonably require.

The Town shall work toward the implementation of a budget document that meets the high standards of the Government Finance Officers Association "Distinguished Budget Presentation Award Program."

References:

Chapter 460 of the Acts of 2008 AN ACT ESTABLISHING A SELECTMEN-ADMINISTRATOR FORM OF GOVERNMENT FOR THE TOWN OF NEWBURY

Newbury By-Laws Chapter 11: FINANCE COMMITTEE

A-3 Revenue and Expenditure Forecast

Background:

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

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

A forecast will provide decision-makers with an indication of the long-term fiscal impact of current policies and budget decisions, and will allow the Town Administrator and staff, the Finance Committee, and the Board of Selectmen to test various "what-if" scenarios and examine the fiscal impact on future budgets.

Policy:

Each year the Town Administrator and staff, in consultation with the Finance Committee, shall prepare and maintain a five-year Financial Forecast for General Fund and Enterprise Fund operations based on current service levels and current funding sources and including the five- year Capital Improvement Program.

The forecast shall be used as a budget tool to enable Town officials to review operating needs, identify fiscal challenges and opportunities, and develop long-term budgeting policies as part of an overall strategic plan. The forecast shall be designed to provide an outlook on the implications of changes in revenues and expenditures and allow for analyzing multiple scenarios. The forecast will: 1) provide insight into whether the current mix and level of resources in the General Fund are likely to continue to be sufficient to cover current service levels and capital projects; and, 2) identify the resources needed to maintain required enterprise fund operations and 3) estimate the impact on rate payers.

The forecast and the associated assumptions shall be made available to the Board of Selectmen and the Finance Committee no later than upon submission of the Capital Improvement Plan.

References:

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

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

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

A-4 Position Control/Vacancies

Background:

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

Policy:

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

A-5 Labor Contracts/Personnel Policies

Background:

The Town has approximately 134 non-union employees and 26 union employees represented by the Teamsters and MassCop unions. For the purposes of these policies, the following definitions shall apply:

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

Policy:

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

B. ENTERPRISE AND REVOLVING FUND POLICIES

B-1 Self Sufficiency and Rates

Background:

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

Policy:

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

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

References:

MGL, Chap 44, Sec 53D, Sec 53E1/2, and Sec 53F1/2

Enterprise Funds, MA DOR Division of Local Services Best Practice

C. RESERVE FUNDS/FUND BALANCE POLICIES

Background:

Formal written policies that establish guidelines for funding and maintaining reserves can help a community sustain operations during difficult economic periods. Reserves can be used to finance unforeseen or emergency needs, to hold money for specific future purposes, or in limited instances, to serve as a revenue source for the annual budget. Reserve balances and policies can also positively impact a community's credit rating and as a consequence, 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.

C.1 Free Cash

Background:

The Division of Local Service's *Municipal Finance Glossary (May 2008)* defines Free Cash as follows:

Free Cash (Also Budgetary Fund Balance) – Remaining, unrestricted funds from operations of the previous fiscal year including unexpended free cash from the prior year, actual receipts in excess of revenue estimates shown 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 balance sheet as of June 30, which is submitted by the community's auditor, accountant, or comptroller. Important: free cash is not available for appropriation until certified by the Director of Accounts.

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

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

DLS recommends that a municipality strive to generate free cash in an amount equal to 3-to-5% of its annual budget.

Policy:

The Town of Newbury shall not use free cash to fund the operating budget.

The Town will endeavor to maintain a target minimum balance of \$1 million of free cash after town meeting appropriations. Amounts in excess of this \$1 million may be available for capital or other one-time expenses, while the target amount will be left unspent from year to year.

Conservative revenue projections and departmental appropriations shall be managed to produce excess income and departmental budget turn backs to meet the free cash goal of 3%-5% of the general fund

operating budget.

Reserves will not be used to fund recurring budget items. However, appropriate uses might include unanticipated costs such as related to a natural disaster or calamity, an unexpected liability created by federal or state legislation, immediate public safety or health needs, opportunities to achieve long-term cost savings, or planned capital investments and related debt service.

References:

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

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

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

C-2 Stabilization Funds

Background:

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

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

Policy:

The Town shall maintain a General Stabilization Fund of not less than 3-5% of the annual year's budget for the purpose of extraordinary or unforeseen expenditures. The Town will endeavor to leave this balance unspent, except in the event of an emergency or extraordinary or unforeseen events. If it is necessary to draw down from the General Stabilization Fund, the Town will ensure that it is restored through the appropriation of revenues such as free cash and/or one-time revenues.

References:

M.G.L. c. 40 §5B

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

C-3 Ambulance Fund Retained Earnings

Background:

Revenues in excess of appropriated expenditures remain in the Ambulance Enterprise Fund and become part of the retained earnings balance in the fund.

Policy:

The Town shall utilize any retained earnings in this enterprise fund for only one time and/or capital expenditures.

References:

M.G.L. c. 44 §53F 1/2

Enterprise Funds, MA DOR Division of Local Services Best Practice

D. CAPITAL IMPROVEMENT PLAN AND DEBT MANAGEMENT

Background:

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

D-1 Capital Improvement Plan and Budget

Policy:

Chapter 12 of the Town of Newbury by-laws defines the duties of the Capital Planning Committee. Specifically, section 12-2 states; "It shall be the duty of the Capital Planning Committee to develop a long-range capital planning program to serve as a guideline for capital improvements in the Town with an eye towards ensuring the maintenance of its public infrastructure and planning for new capital improvements. The Committee shall submit its report to the Board of Selectmen for its consideration and approval and the Board of Selectmen shall submit its approved capital budget for the next fiscal year in the town warrant for votes by town meeting."

In accordance with the by-law, a proposed purchase or project must have a useful life of five years or more, and must exceed \$10,000 in cost. All officers, boards and Committees, including the Selectmen and the School Committee shall, by November 1 of each year, submit their requests to the Capital Planning Committee. An adequate level of maintenance and replacement that falls beneath the Capital Expenditure threshold of \$10,000 or the useful life of 5 years will be funded from the general fund operational budget each year to insure that all capital facilities and equipment are properly maintained. Budgets for maintenance and repair will be reviewed annually and compared to actual expenditures to ensure the adequacy of these line items. No action shall be taken on a capital purchase without a recommendation from the Capital Planning Committee.

The Capital Planning Committee will evaluate requests based on the following criteria:

1. Does the requested project contribute to the achievement of existing town goals, policies, plans and work programs?
2. What are the general benefits of the project?
3. What is the total cost (both capital and annual operating and maintenance expenses, including replacements); and what is its effect on the tax rate?
4. Is the project acceptable to the public?
5. Are there legal requirements that must be met?

6. Can the project be effectively managed and maintained with existing staff once implemented?

References:

Newbury Bylaws Chapter 12: Capital Planning Committee

Newbury Capital Improvement Plan, Edward J. Collins Center for Public Management/UMASS Boston

D-2 Debt Management and Capital Improvement Financing

Background:

The use of long-term debt allows the Town to address major infrastructure and equipment needs by spreading the cost of large capital projects over multiple years. However, long-term debt establishes payments for a fixed obligation over many years. Great care and planning must be taken when incurring long-term debt to avoid placing a strain on future revenues. The purpose of this policy is to establish guidelines governing the planning, management and use of long-term debt.

Debt for municipalities can be paid for within an operating budget or outside an operating budget by means of a debt exclusion. Unlike debt that is issued within the limits of proposition 2½, the debt exclusion raises funds for a limited period of time to fund specific projects. Funds raised from the debt exclusion are in addition to the Town's levy limit.

Debt exclusions allow a community to raise the amount of annual debt service required to fund a capital item until such item is paid in full. After the debt is retired on a capital item, the funds are no longer raised from the tax base. Debt exclusions do not have limits according to state law. However, the overall tax burden on residents should be considered.

Borrowing should not be considered without first examining all other funding options, such as grants, low- or zero-interest loans from state, federal or local agencies or other available funds.

Before any capital project is undertaken, a pro-forma forecast of its capital and operating cost impact, including maintenance and replacements must be undertaken to determine its financial feasibility and its source of funding. This forecast must be done and coordinated with other outstanding capital projects to ensure that sufficient funds will be available, and that the annual costs will not impinge on other operating or capital needs. For those projects supported by user fees, it is important to identify the impact on user rates as a result of debt service costs.

D-2a. Debt Management Policy:

1. Long-term debt will not exceed the expected useful life of the asset being financed. Long-term debt should not be incurred without a clear identification of its financing sources;
2. The Town will establish and maintain at least a five (5) year Capital Asset Replacement Schedule including all proposed projects and major pieces of equipment that may require debt financing. The Town's long-term debt strategies will be structured to reflect its capital needs and ability to pay;
3. Annual debt service should not exceed 10% of the annual operating budget. This debt limit is

exclusive of debt raised via the debt exclusion;

4. The Town will maintain a long-term debt schedule so that at least 50 percent of total outstanding debt service requirements will be paid within ten years;
5. An operational impact statement will be required for each new capital project to determine the net financial impact the proposed investment will have on general operations.
6. The impact of level debt service versus principal/declining debt service on the total project cost, operating budget and long term capital borrowing plans shall be analyzed before borrowing is authorized and approved.

D-2b. Capital Financing Policy:

The Newbury capital improvement program shall be prepared and financed in accordance with the following policies:

- Pay As You Go Local Funding - The first source of capital investment shall be free cash. Even when a significant balance exists in this account, the Town will be cautious about the amount of funds to be used. After establishing a base of approximately \$300,000, the town shall increase its capital investment by the same rate a regular budget growth. The Town will use modest amounts from the capital stabilization or other reserves above target levels to fund pay-as-you go capital needs in order to meet urgent needs above the 5 percent Net Capital Investment target. In the event that annual deposits into the capital stabilization fund change significantly, the Town will revisit this capital funding policy.
- Other Local Restricted Funds – State statutes and local authorizations allow for the set aside of funds for specific purposes. The town shall monitor any special purpose funds that it maintains (i.e. Sale of Land, ambulance revenue) and its applicable use for capital projects.
- Outside Funding – State, federal, or private grant funding shall be pursued and used to finance the capital budget wherever possible.
- Debt Exclusion – Large purchases or projects, typically in excess of \$1 million shall be funded by a Proposition 2 ½ debt exclusion vote in order to collect annual revenues sufficient to pay the new debt costs and not impact funds necessary to maintain the annual town and school operating budgets.
- General Fund Debt – Smaller projects may be funded by non- exempt debt with a careful review of the timing and impact on the operating budget while also maintain the town's investment in its capital infrastructure and equipment.
- General Fund Debt Service as % of General Fund Revenues_– The annual Debt Service requirement should not exceed 10% of the town's general fund annual revenues (excluding enterprise funds).

E. GIFTS AND GRANTS MANAGEMENT POLICIES

Background:

DLS recommends analyzing current and future impact of grants on operating budget, capital improvement program, and debt management.

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

E-1 Grant Administration

Policy:

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

1. All grants shall be managed to comply with the laws, regulations and guidance of the grantor and all gifts and donations shall be managed and expended according to the wishes and instructions of the donor.
2. All gifts and grants shall be evaluated for suitability and consistency with Town policies. A letter shall be received from the donor as to the requested use of the funds. The Town Accountant shall place all funds within a specific account for the designated purpose.

E-2 Impact on Operating Budget

Policy:

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

E-3 Impact on Capital Improvement Program and Debt Management

Policy:

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

References:

Administering Grants Effectively, Government Finance Officers Association Best Practice, May 2013.

F. ESTABLISHMENT OF FEES

F-1 Fees and Charges

Background:

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

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

Policy:

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

References:

M.G.L. c.140

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

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

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

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

G. USE OF ONE TIME REVENUE

G-1 Use of One Time Revenue

Background:

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

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

Policy:

One-time revenues shall be appropriated to reserve funds, used to fund one-time budget or capital costs, and/or address unfunded liabilities.

H. UNFUNDED LIABILITIES POLICIES

Background:

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

H-1 Pensions/Retirement

Background:

The Contributory Retirement System is a defined benefit program that is governed by Massachusetts General Laws, Ch.32 and is regulated by the Public Employee Retirement Administration Commission (PERAC), a state entity responsible for the oversight, guidance, monitoring, and regulation of Massachusetts' 105 public pension systems. Funding for this system covers the costs of employees who are part of the Town's retirement system, which does not include teachers, as their pensions are funded by the State. The Town of Newbury is a member of the Essex Regional Retirement System and pays an annual pension assessment to the System. Pursuant to current state law, the Essex Regional Retirement System establishes a funding schedule to fully-fund this liability.

Policy:

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

References:

M.G.L. c.32

H-2 Other Post-Employment Benefits (OPEB)

Background:

OPEB consists primarily of the costs associated with providing health insurance for retirees and their spouses. The Government Accounting Standards Board (GASB) issued Statements No. 43 and No. 45 in 2004 to address the OPEB issue. GASB 43 required the accrual of liabilities of OPEB generally over the working career of plan members rather than the recognition of pay-as-you-go contributions, while GASB 45 required the accrual of the OPEB expense over the same period of time. The reporting requirements of GASB 43 and 45 include disclosures and schedules providing actuarially determined values related to the funded status of OPEB. This requires that the accrued liabilities be determined by a qualified actuary

Policy:

While there is currently no legal requirement to fund OPEB, the Town recognizes the importance and financial advantage of initiating early and regular funding for these long-term obligations. The Town will endeavor to appropriate \$100,000 per year into the irrevocable trust established under MGL c. 32B, §20.

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

References:

Statement No. 43, Reporting for Postemployment Benefit Plans Other Than Pension Plans, Governmental Accounting Standards Board, April 2004.

Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, Governmental Accounting Standards Board, June 2004.

GASB Statements 43 and 45 on Other Postemployment Benefits, Governmental Accounting Standards Board.

I. PROPERTY AND LIABILITY RISK MANAGEMENT POLICIES

I-1 Risk Management Program

Background:

In recognition that during daily operations, a municipality is constantly exposed to potential impact of property loss, personal injury, and liability, the Government Financial Officers Association recommends that governments develop a comprehensive risk management program that identifies, reduces or minimizes risk to its property, interests, and employees. Costs and consequences of harmful or damaging incidents arising from those risks should be contained.

Policy:

The Town's insurance programs shall be aimed at covering the potential impact of the types of property loss, personal injury, and liability the Town is exposed to on a regular basis.

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

References:

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

J. ACCOUNTING/AUDITING/FINANCIAL REPORTING POLICIES

J-1 Annual Audit

Background:

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

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

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

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

Policy:

1. The Town will utilize accounting practices that conform to Generally Accepted Accounting Principles (GAAP) as set forth by the Governmental Accounting Standards Board (GASB).
2. An annual audit will be performed by an independent public accounting firm and the audit report and Management Letter will be provided to the Selectmen, and made publically available.

The Town will either re-advertise for auditing services every five to eight years or ensure that there is a regular rotation of audit managers within a particular firm if it elects to stay with a given audit firm. The Town will strive to have the annual audit completed by the end of November

References:

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

J-2 Comprehensive Annual Financial Report

Background:

A Comprehensive Annual Financial Report (CAFR) is a set of Government financial statements comprising the financial report of the municipal entity that complies with the accounting requirements promulgated by the General Accounting Standards Board (GASB). GASB provides standards for the content of a CAFR in its annual updated publication *Codification of Government Accounting and Financial Reporting Standards*. A CAFR is compiled by the municipal accounting staff and audited by an external Certified Public Accounting firm utilizing GASB requirements. It is comprised of three sections: Introductory, Financial, and Statistical. It combines the financial information of fund accounting and Enterprise Authorities accounting.

Policy:

The Town shall work towards the preparation of a Comprehensive Annual Financial Report (CAFR) that meets the criteria established by the GFOA's Certificate of Achievement in Financial Reporting Program. This program encourages the preparation of a comprehensive report that goes beyond the annual audit report and presents information that enhances government transparency and disclosure.

J-3 Revenue Collections

Background:

One of a government's critical functions is to collect taxes and other revenues from public, private and governmental sources.. The process is highly regulated by local, state and federal laws.

Policy:

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

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

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

References:

Revenue Collection, Government Finance Officers Association Best Practice.

J-4 Reconciling Cash and Receivables

Background:

Two of the largest assets for a community are cash and receivables. Information pertaining to these is kept by the Treasurer, Collector, and the Accountant. A Treasurer is the custodian of the community's revenues, tax titles, and tax possessions, while a Collector keeps listings of outstanding receivables due to the community, and an Accountant is responsible for maintaining the accounting records. Prompt and frequent reconciliations between these offices are essential in order to maintain control and ensure checks and balances are in place.

Policy:

Within thirty days after the end of each month, the Treasurer / Collector shall internally reconcile the cashbook to all bank statements, and the Treasurer/Collector shall internally reconcile all receivable balances with the receivable control. The results of these activities shall be forwarded to the Accountant's office and compared to the general ledger records. If differences are determined, the Treasurer/Collector and Accountant shall reconcile the variances (e.g., missing information, errors, and timing differences).

The Town shall reconcile revenues and expenditures for each fiscal year within one to two months of the end of the fiscal year.

References:

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

J-5 Cash Flow Forecasting and Budgeting

Background:

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

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

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

Policy:

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

References:

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

J-6 Monthly Reporting

Background:

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

Policy:

The Town Accountant shall produce and distribute monthly budget-to-actual reporting to evaluate the Town's financial position per Massachusetts state law. These reports shall be submitted to the Town Administrator, Board of Selectmen, department heads and Finance Committee. Monthly reporting will enable the Town to take prompt management action in the event that fiscal problems are indicated or adjust spending behavior to meet financial challenges.

K. PROCUREMENT AND PURCHASING POLICIES

K-1 Procurement and Purchasing Policy

Background:

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

Policy:

The Town shall follow the guidance contained in the Inspector General's *"The Chapter 30B Manual: Procuring Supplies, Services and Real Property"* in order to comply with the requirements of M.G.L. Ch. 30B. To supplement this guidance, the Town will develop and maintain a concise manual on purchasing procedures for department heads or others involved in Town purchasing or procurement.

L. INTERNAL ACCOUNTING CONTROL AND RISK ASSESSMENT POLICIES

Background:

The American Institute of Certified Public Accountants (AICPA) has adopted SAS 112 (Statement on Auditing Standard number 112). This standard relates to internal control documentation and places heavy emphasis on management's responsibility for establishing, documenting and periodically reviewing its systems of internal controls over key financial transaction cycles (i.e. payroll, purchasing, disbursements, accounts receivables and cash) and over financial reporting. A goal of the standard is to heighten management's awareness that they are ultimately responsible for their financial statements and systems of internal control and, therefore, must weigh and manage the associated risks. In establishing the controls, management is responsible for assessing the fraud risk related to each cycle.

During the Town's annual audit, one of the main objectives of the Auditors, relating to the Town's system of internal accounting control, is to review the internal controls over financial reporting as a basis for designing the auditing procedures for the purpose of expressing an opinion on the audited financial statements. In addition to this objective, the Auditors are also required to review the Town's method used to document and review the internal control procedures and risk assessments that are in place for the Town.

Policy:

The Town of Newbury has prepared and will maintain an Internal Accounting Control and Risk Assessment Policies and Procedures Manual to ensure that comprehensive internal control procedures are in place in the Town's accounting operations.

References:

Town of Newbury INTERNAL ACCOUNTING CONTROL and RISK ASSESSMENT POLICIES and PROCEDURES
DRAFT 6/30/2013

M. TREASURER INVESTMENT AND TRUST FUND POLICIES

Background:

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

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

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

Policy:

It is the policy of the Town of Newbury that trust fund management be consistent with the legal requirements, including Town by-laws and the spirit of each respective trust document and, to the maximum extent possible, to fulfill the purpose the trusts were intended to achieve.

Trust fund management will be conducted with the primary objectives of:

1. Conformance to each trust document's specified purpose, legal requirements, and administrative guidelines;
2. Maintenance of security of trust funds and investments;
3. Maximization of total return for each trust fund;
4. Efficient disbursement of funds on an equitable basis;
5. Effective collection of all monies due.

The Treasurer is responsible for developing and maintaining the policies for investing Town funds. As such, the Treasurer has adopted detailed policy statements for the investment of all town funds. The Treasurer will regularly monitor statutory changes governing investments and offer any policy amendments. The Treasurer will submit a report of investments on a regular basis to the Town Administrator.

References:

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

Town of Newbury OPEB TRUST INVESTMENT POLICY STATEMENT- Adopted 11/25/2015

Town of Newbury INVESTMENT POLICY STATEMENT - Adopted 11/25/2015

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

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

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

APPENDIX 1: SELECTED GLOSSARY OF TERMS

Available Funds – Balances in the various fund types that represent non-recurring revenue sources. As a matter of sound practice, they are frequently appropriated to meet unforeseen expenses, for capital expenditures or other onetime costs. Examples of available funds include free cash, stabilization funds, overlay surplus, water surplus, and enterprise net assets unrestricted (formerly retained earnings).

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 the property owners of that area to reimburse the governmental entity for all, or part, of the costs it incurred in completing 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. In this case, one year's apportionment along with one year's committed interest computed from October 1 to October 1 is added to the tax bill until the betterment has been paid.

Block Grant – A Block Grant is a Federal grant of money awarded by formula under very general guidelines that allow grantees broad latitude in spending activities. Recipients are normally state or local governments.

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.

Bond and Interest Schedule 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.

Bond Anticipation Note (BAN) – Short-term debt instrument used to generate cash for initial project costs and with the expectation that the debt will be replaced later by permanent bonding. Typically issued for a term of less than one year, BANs may be re-issued for up to five years, provided principal

repayment begins after two years (MGL Ch. 44§17). Principal payments on school related BANs may be

deferred up to seven years (increased in 2002 from five years) if the community has an approved project on the Massachusetts School Building Authority (MSBA) priority list. BANs are full faith and credit obligations.

Bond Authorization – The action of town meeting or a city 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 selectmen. (See Bond Issue)

Bond Buyer – A daily trade paper containing current and historical information of interest to the municipal bond business.

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 a portion of, the bond amount authorized by a town meeting or city council.

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 and Poor's, use rating systems, which designate a letter or a combination of letters and numerals where AAA is the highest rating and C1 is a very low rating.

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 city council to be removed from community's books.

Capital Assets – All tangible property used in the operation of government, which is not easily converted into cash, and 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 a minimum initial cost. (See Fixed Asset)

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 of financing each recommended expenditure, i.e., tax levy or rates, and identify those items that were not recommended. (See Capital Asset, Fixed Asset)

Capital Improvements Program – A blueprint for planning a community's capital expenditures that comprises an annual capital budget and a five-year capital program. It coordinates community planning, fiscal capacity and physical development. While all of the community's needs should be identified in the program, there is a set of criteria that prioritizes 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 make a capital acquisition. Exclusions require two-thirds vote of the selectmen or city council (sometimes with the mayor's approval) and a majority vote in a community-wide 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.

Chapter 90 Highway Funds – State funds derived from periodic transportation bond authorizations and apportioned to communities for highway projects based on a formula under the provisions of MGL Ch. 90 §34. The Chapter 90 formula comprises three variables: local road mileage (58.33 percent) as certified by the Massachusetts Highway Department (MHD), local employment level (20.83 percent) derived the Department of Employment and Training (DET), and population estimates (20.83 percent) from the US Census Bureau. Local highway projects are approved in advance. Later, on the submission of certified expenditure reports to MHD, communities receive cost reimbursements to the limit of the grant.

Contingent Appropriation – An appropriation that

authorizes spending for a particular purpose only if subsequently approved in a voter referendum.

Under MGL Ch. 59 §21C (m), towns may make appropriations from the tax levy, available funds or borrowing, contingent upon 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 not approved by the applicable deadline, the appropriation is null and void. If contingent appropriations are funded through property taxes, DOR cannot approve the tax rate until the related override or exclusion question is resolved or the deadline passes, whichever occurs first.

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

Debt Burden – The amount of debt carried by an issuer usually expressed as a measure of value (i.e., 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 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 that a municipality may authorize for qualified purposes under state law. Under MGL Ch. 44 §10, debt limits are set at 5 percent of EQV. By petition to the Municipal Finance Oversight Board, cities and towns can receive approval to increase their debt limit to 10 percent of EQV.

Debt Policy – Part of an overall capital financing policy that provides evidence of a commitment to meet infrastructure needs through a planned program of future financing. Debt policies should be submitted to elected officials for consideration and approval.

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.

Enterprise Fund – An enterprise fund, authorized by MGL Ch. 44 §53F½, 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 total costs of a service that is recovered through user charges and the portion that is subsidized by the tax levy, if any. With an enterprise fund, all costs of service delivery—direct, indirect, and capital costs—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 net assets unrestricted generated by the operation of the enterprise rather than closing it 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. See DOR [IGR08-101](#)

Free Cash (Also Budgetary Fund Balance) – Remaining, unrestricted funds from operations of

the previous fiscal year including unexpended free cash from the previous year, actual receipts in excess of revenue estimates shown 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 balance sheet as of June 30, which is submitted by the community's auditor, accountant, or comptroller. Important: free cash is not available for appropriation until certified by the Director of Accounts.

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

Levy Limit – A levy limit is one of two types of levy (tax) restrictions imposed by MGL Ch. 59 §21C (Proposition 2½). It states that the real and personal property taxes imposed by a city 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. (See Levy Ceiling)

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 wealth of the community or district and the category of reimbursement. Projects that received their first reimbursement payment prior to July 26, 2004 will continue to get annual state payments to offset the related annual debt service. Thereafter, cities, towns, and regional school districts will receive a lump sum amount representing the state's share of the eligible project costs... (See DOR [IGR 06-101](#))

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 by revaluations. New growth is calculated by multiplying the assessed value associated with new construction, renovations and other increases by the prior year tax rate. The additional tax revenue is then incorporated into the calculation of the next year's levy limit. For example, new growth for FY07 is based on new construction, etc. that occurred between January and December 2005 (or July 2005 and June 2006 for accelerated new growth communities). In the fall of 2006, when new growth is being determined to set the FY07 levy limit, the FY06 tax rate is used in the calculation.

Non-Recurring Revenue Source – A one-time source of money available to a city or town. By its nature, a non-recurring revenue source cannot be relied upon in future years. Therefore, such funds should not be used for operating or other expenses that continue from year-to-year. (See Recurring Revenue Source)

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

Receipts Reserved for Appropriation – Proceeds that are earmarked by law and placed in separate accounts for appropriation for particular purposes. For example, parking meter proceeds may be appropriated to offset certain expenses for parking meters and the regulation of parking and other traffic activities.

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 Ch. 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 Ch. 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 city or town is authorized to borrow for a period of five years or more

Short-Term Debt – Outstanding balance, at any given time, on amounts borrowed with a maturity date of 12 months or less.

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 which 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

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 Ch. 40 §5B). Communities may establish one or more stabilization funds for different purposes and may appropriate into them in any year an amount not to exceed ten percent of the prior year's tax levy. The total of all stabilization fund balances shall not exceed ten percent of the community's equalized value, and any interest shall be added to and become a part of the funds. A two-thirds vote of town meeting or city council is required to establish, amend the purpose of, or appropriate money into or from the stabilization fund.

ABOUT THE CENTER

The Edward J. Collins, Jr. Center for Public Management in the McCormack Graduate School of Policy and Global Studies at the University of Massachusetts Boston was established in 2008 to improve the efficiency and effectiveness of all levels of government. The Center is funded by the Commonwealth and through fees charged for its services.



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