

**Town of Wenham, Massachusetts
Post-Issuance Tax Compliance Procedures
For Tax-Exempt Obligations and Other Tax-Benefited Obligations**

**Approved by: Board of Selectmen
Effective: 08/01/2017**

I. Introduction

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

II. Post-Issuance Tax Compliance

The Treasurer of the Town shall be the primary bond compliance officer responsible for each issuance by the Town of tax-exempt (or otherwise tax-benefited) bonds, notes, financing leases, or other obligations (herein, collectively referred to as "bonds"). All information related to each bond issue and the facilities, equipment and other assets financed by such issue shall be maintained by or on behalf of the Treasurer and the actions taken under subsections A through C of this Section II shall be taken by or on behalf of the Treasurer by the Treasurer or such other officers or employees of the Town as appropriate, including but not limited to, the Treasurer and the Town Accountant.

A. Tax Certificate and Continuing Education

- 1. Tax Certificate** – A Tax Certificate is prepared for each issuance of Bonds. Immediately upon issuing any bonds, the Treasurer, in conjunction with the Town's bond counsel and financial advisor, shall review the Tax Certificate and make notes regarding specific compliance issues for such bond issue on the Post-Issuance Compliance Notes form at Exhibit A. The Tax Certificate and Notes shall clearly define the roles and responsibilities relating to the ongoing compliance activities for each bond issue and will identify specific compliance requirements.
- 2. Continuing Education** – The Treasurer will actively seek out advice of bond counsel on any matters that appear to raise ongoing compliance concerns and may attend or participate in seminars, teleconferences, etc. sponsored by organizations such as the Massachusetts Collector-Treasurer Association and the Massachusetts Government Finance Officers Association that address compliance issues and developments in the public finance bond arena. In addition, national organizations such as the Securities Industry and Financial Markets Association (SIFMA) and the National Association of Bond Lawyers (NABL) offer numerous training opportunities and materials which may be useful to the Treasurer.

B. Tax-Exempt Bonds Compliance Monitoring

- 1. Restrictions against Private Use** – The Treasurer will continuously monitor the expenditure of bond proceeds and the use of facilities or equipment financed or refinanced with bonds to ensure compliance with Section 141 of the Internal Revenue Code (the "Code")

which generally establishes limitations on the use of bond-financed facilities by non-state or local governmental entities, such as individuals using bond-financed assets on a basis other than as a member of the general public, corporations and the federal government and its agencies and instrumentalities.

a. **Use of Bond Proceeds** – The Treasurer will monitor and maintain records with respect to expenditures to ensure that bond proceeds are being used on capital expenditures for governmental purposes in accordance with the bond documents and document the allocation of all bond proceeds. Such monitoring is required not only for tax-exempt bonds, but also for tax credit bonds.

b. Use of the Bond-Financed Facility or Equipment

- i. **Equipment assets financed with bonds** will be listed in a schedule for each bond issue, which schedule may be included in the Tax Certificate. Equipment assets generally are not to be disposed of prior to the earlier of (a) the date the bonds and all subsequent refundings of such bonds are fully paid, or (b) the end of the useful life of such equipment. The Treasurer will maintain the list of all bond-financed equipment for each bond issue, together with the equipment's expected useful life.
- ii. **Constructed or acquired assets financed with bonds** – in order to ensure that assets constructed or acquired using bond proceeds, such as infrastructure assets, are not leased, sold or disposed of prior to the end of the term of the bonds and of all subsequent refundings of such bonds:
 - Any asset constructed or acquired with bond proceeds shall be flagged in the Town's records, and
 - These projects will be monitored by the Treasurer.
- iii. If there is any proposal to change the use of a bond-financed facility from a governmental purpose to a use in which a private entity may have the use or benefit of such a facility on a basis that is different from the rest of the general public, the Treasurer will consult with bond counsel prior to the occurrence of the proposed change in use.

2. Qualification for Initial Temporary Periods and Compliance with Restrictions against Hedge Bonds

a. Expectations as to Expenditure of "New Money" Bond Proceeds

- i. In order to qualify under the arbitrage rules for an initial temporary period of 3 years for "new money" issues during which bond proceeds can be invested without regard to yield (but potentially subject to rebate), the Town must reasonably expect to spend at least 85% of "spendable proceeds" by the end of the temporary period. In general under Code Section 149, in order to avoid classification of an issue of bonds as "hedge bonds," the Town must both (x) reasonably expect to spend 85% of the "spendable proceeds" of the bond issue within the 3 year period beginning on the date the bonds are issued and (y) invest not more than 50% of the proceeds of the issue in investments having a substantially guaranteed yield for 4 years or more. These expectations have been documented for the Town's outstanding bond issues in the tax certificates executed in connection with each bond issue.
- ii. If, for any reason, the Town's expectations concerning the period over which the bond proceeds are to be expended change from what was documented in the applicable tax certificate, the Treasurer will consult with bond counsel.

- b. Project Draw Schedule Compliance Monitoring** – While there are unspent proceeds of a bond issue, the Treasurer will compare and analyze the original anticipated project draw schedule and the actual expenditure payouts and reimbursements on each bond-financed project on an annual or more frequent basis. The purpose of this analysis is to determine the variances from the original expected draw schedule for each project and to document the reasons for these variances to provide a continual record on the spending progress of each bond-financed project. Factors relevant to the analysis include unexpected delays in the project timelines, extreme weather, contract time extensions due to unexpected events, supplemental agreements and any other factor with a potential to impact the progress or completion of the projects. Generally, there should be no effect on the tax-exempt status of the bonds under either the temporary period rules or the hedge bond rules if the actual disbursements do not meet the original project draw schedule, unless circumstances surrounding the actual events cast doubt on the reasonableness of the stated expectations on the issuance date. Therefore, it is important for the Treasurer to update the progress of each project at least annually, and consult with bond counsel as to any variance from the original schedule.
- c. Bond Proceeds Expenditure Schedule Compliance Monitoring** – While there are unspent proceeds of bonds, the Treasurer will compare and analyze the bond proceeds expenditure schedule and the actual investment earnings on each project on an annual or more frequent basis. The purpose of this analysis is to determine any variances from the expected expenditure schedule and to document the reasons for these variances.

3. Arbitrage Rebate Compliance

- a.** Bonds may lose their tax-favored status, retroactive to the date of issuance, if they do not comply with the arbitrage restrictions of section 148 of the Code. Two general sets of requirements under the Code must be applied in order to determine whether governmental bonds are arbitrage bonds: the yield restriction requirements of section 148(a) and the rebate requirements of section 148(f).
- b. Yield Restriction Requirements.** The yield restriction requirements provide, in general terms, that gross proceeds of a bond issue may not be invested in investments earning a yield higher than the yield of the bond issue, except for investments (i) during one of the temporary periods permitted under the regulations (including the initial three year temporary period described above), (ii) in a reasonably required reserve or replacement fund or (iii) in an amount not in excess of the lesser of 5% of the sale proceeds of the issue or \$100,000 (the “minor portion”). Under limited circumstances, the yield on investments subject to yield restriction can be reduced through payments to the IRS known as “yield reduction payments.” The Tax Certificate will identify those funds and accounts associated with a particular issue of bonds known, as of the date of issuance, to be subject to yield restriction.
- c. Rebate Requirements**
- i. If, consistent with the yield restriction requirements, amounts treated as bond proceeds are permitted to be invested at a yield in excess of the yield on the bonds (pursuant to one of the exceptions to yield restriction referred to above), rebate payments may be required to be made to the U. S. Treasury. Under the applicable regulations, the aggregate rebate amount is the excess of the future value of all the receipts from bond funded investments over the future value of all the payments to acquire such investments. The future value is computed as of the computation date using the bond yield as the interest factor. At least 90% of the rebate amount calculated for the first computation period must be paid no later than 60 days after the end of the first computation period. The amount of rebate payments required for subsequent computation periods (other than the final period) is that amount

which, when added to the future value of prior rebate payments, equals at least 90% of the rebate amount. For the final computation period, 100% of the calculated amount must be paid. Rebate exceptions and expectations are documented for each bond issue in the tax certificate executed at the time of such bond issue.

- ii. While there are unspent proceeds of bonds, the Town will engage an experienced independent rebate analyst to annually calculate any rebate that may result for that year and annually provide a rebate report to the Treasurer. Bond counsel can assist with referrals to qualified rebate analysts.

d. Timing of Rebate Payments

The Treasurer will work with the rebate analyst to ensure the proper calculation and payment of any rebate payment and/or yield-reduction payment at the required time:

- i. First installment due no later than 60 days after the end of the fifth anniversary of each bond issuance;
- ii. Succeeding installments at least every five years;
- iii. Final installment no later than 60 days after retirement of last bond in the issue.¹

4. Refunding Requirements

a. Refunded Projects. The Treasurer will maintain records of all bond financed assets for each bond issue, including assets originally financed with a refunded bond issue.

b. Yield Restriction. The Treasurer will work with its financial advisor and bond counsel to maintain records of allocation of bond proceeds for current and advance refundings of prior bond issues to ensure that such bond proceeds are expended as set forth in the applicable tax certificate executed at the time the refunding bonds are issued. Any yield restricted escrows will be monitored for ongoing compliance.

C. Record Retention

1. Section 6001 of the Code provides the general rule for the proper retention of records for federal tax purposes. The IRS regularly advises taxpayers to maintain sufficient records to support their tax deductions, credits and exclusions. In the case of a tax-exempt bond transaction, the primary taxpayers are the bondholders. In the case of other tax benefited bonds, such as "build America bonds" or "recovery zone economic development bonds", the Town will be treated as the taxpayer. In order to ensure the continued exclusion of interest to such bondholders, it is important that the Town retain sufficient records to support such exclusion.

2. In General

- a.** All records associated with any bond issue shall be stored electronically or in hard copy form at the Town's offices or at another location conveniently accessible to the Town.
- b.** The Treasurer will ensure that the Town provides for appropriate storage of these records.
- c.** If storing documents electronically, the Town shall conform with Rev. Proc. 97-22, 1997-1 C.B. 652 (as the same may be amended, supplemented or superseded), which provides guidance on maintaining books and records by using an electronic storage system. Bond counsel can furnish a copy of this Revenue Procedure if needed.

¹ Generally, rebate payments must be paid not later than 60 days after retirement of the last bond in the issue.

3. **Bonds** – The Town shall maintain the bond record as defined in this section for the longer of the life of the bonds plus 6 years or the life of refunding bonds (or series of refunding bonds) which refunded the bonds plus 6 years. The bond record shall include the following documents:

a. Pre-Issuance Documents

- i. **Guaranteed Investment Contracts (“GICs”) and Investments (other than Treasury’s State and Local Government Series Securities, “SLGs”)** – if applicable, the Treasurer shall retain all documentation regarding the procurement of each GIC or other investment acquired on or before the date of bond issuance, including as applicable the request for bids, bid sheets, documentation of procurement method (i.e., competitive vs. negotiated), etc. If investments other than SLGs are used for a defeasance escrow, the documentation should include an explanation of the reason for the purchase of open market securities and documentation establishing the fair value of the securities and compliance with safe harbor bidding rules. If SLGs are purchased, a copy of the final subscription shall be maintained.
- ii. **Project Draw Schedule** – the Treasurer shall retain all documentation and calculations relating to the draw schedule used to meet the “reasonable expectations” test and use of proceeds tests (including copies of contracts with general and sub-contractors or summaries thereof).
- iii. **Issue Sizing** – the Treasurer shall maintain a copy of all financial advisor’s or underwriter’s structuring information.
- iv. **Bond Insurance** – if procured by the Town, the Treasurer shall maintain a copy of insurance quotes and calculations supporting the cost benefit of bond insurance, if any.
- v. **Costs of Issuance documentation** – the Treasurer shall retain all invoices, payments and certificates related to costs of issuance of the bonds.

b. Issuance Documents

- i. The Treasurer shall retain the bound bond transcript delivered from bond counsel.

c. Post-Issuance Documents

- i. **Post-Issuance Guaranteed Investment Contracts and Investments (Other than SLGs)** – the Treasurer shall retain all documentation regarding the procurement of any GIC or other investment acquired after bond issuance, including as applicable the request for bids, bid sheets, documentation of procurement method (i.e., competitive vs. negotiated), etc. If investments other than SLGs are used for a defeasance escrow, the documentation should include an explanation of the reason for the purchase of open market securities and documentation establishing the fair value of the securities and compliance with safe harbor bidding rules.
- ii. **Records of Investments** – shall be retained by the Treasurer.
- iii. **Investment Activity Statements** – shall be retained by the Treasurer.
- iv. **Records of Expenditures** – the Treasurer shall maintain or shall cause to be maintained all invoices, etc. relating to equipment purchases and constructed or acquired projects, either electronically or in hard copy.
- v. **Records of Compliance**

- **Qualification for Initial Temporary Periods and Compliance with Restrictions Against Hedge Bond Documentation** – the Treasurer shall prepare the annual analysis described in Section II(B)(2) above and maintain these records.
- **Arbitrage Rebate Reports** – may be prepared by the Treasurer or a third party as described in section II (B)(3) of this document and retained by the Treasurer.
- **Returns and Payment** – shall be prepared at the direction of the Treasurer and filed as described in Section II(B)(3) of this document.
- **Contracts under which any bond proceeds are spent (consulting engineering, acquisition, construction, etc.)** – the Treasurer shall obtain copies of these contracts and retain them for the bond record.

d. General

- Audited Financial Statements** – the Treasurer will maintain copies of the Town's annual audited Financial Statements.
- Reports of any prior IRS Examinations** – the Treasurer will maintain copies of any written materials pertaining to any IRS examination of the Town's bonds.

III. Voluntarily Correcting Failures to Comply with Post-Issuance Compliance Activities

If, in the effort to exercise due diligence in complying with applicable federal tax laws, a potential violation is discovered, the Town may address the violation through the applicable method listed below. The Town should work with its bond counsel to determine the appropriate way to proceed.

A. Taking remedial actions as described in Section 141 of the Internal Revenue Code

B. Utilizing the Voluntary Closing Agreement Program (VCAP) – Section 7.2.3 of the Internal Revenue Manual establishes the voluntary closing agreement program for tax-exempt bonds (TEB VCAP) whereby issuers of tax-exempt bonds can resolve violations of the Internal Revenue Code through closing agreements with the Internal Revenue Service.

IV. Post Issuance Tax Compliance Procedures Review

The Treasurer shall review these procedures at least annually, and implement revisions or updates as deemed appropriate, in consultation with bond counsel.

Town of Wenham, Massachusetts
OPEB Trust Investment Policy Statement
Approved by: Board of Selectmen
Effective: 08/01/2017

The primary purpose of this Investment Policy Statement (the "IPS") is to provide a clear understanding regarding the Town of Wenham (the "Town") OPEB Trust's (the "Trust") investment objectives, performance goals, and risk tolerance.

A. Scope

This IPS applies to all funds that are separately designated as long-term OPEB funds for the Town or any of its separately identified enterprises. Any additional contributions to the Trust will be maintained in the same manner.

B. Authority

Massachusetts General Law Chapter 32B, Section 20 allows a city, town, district, county or municipal lighting plant to set up a special trust fund, the Other Post Employment Benefits (OPEB) Liability Trust Fund. The governmental unit's treasurer is the custodian of the fund or in the case of a light plant, an officer designated by the board. Investment of fund monies by the custodian must be consistent with the prudent person standard set forth in Massachusetts General Law Chapter 203C for private trust funds. Interest earned on the investment of fund monies belongs to the fund.

C. Diversification

The following asset classes can be included in the Trust in order to construct a diversified investment portfolio that is both prudent and appropriate given the Town's actuarial assumed discount rate, target rate of return, investment objective, and risk tolerance. The investment parameters and asset allocation definitions that will govern the Investment Manager of the diversified portfolio are included in the addendums to this IPS.

Equities

The primary objective of the Trust's equity allocation is to provide long-term total returns that are, at a minimum, consistent with appropriate broad market indexes through full market cycles.

The Investment Manager of the diversified portfolio can purchase and manage the equity allocation using individual equities, such as domestic common stocks, preferred stocks, and/or American-Depository Receipts (ADRs).

The Investment Manager can also utilize other investments such as, mutual funds, exchange

traded funds, closed-end funds, etc. Total equity exposure is able to include, both domestic and international equities, both developed and emerging countries and geographic regions, as well as large-, mid-, and small-market capitalization weighted companies. Direct holdings of common stock, preferred stock, and/or ADRs in any one company should not exceed 5% of the market value of the invested portfolio.

Investing directly in real estate, private placements, letter stock, or initial public offerings is strictly prohibited. The Investment Manager of the diversified portfolio shall not engage directly in margin transactions, short sales, or any other leveraged or inverse investment vehicles. Mutual funds, exchange-traded funds, and closed-end funds, however, may engage in margin, leverage, and/or short sales. Investing directly in unit-investment trusts (UITs) and business development companies (BDCs) are strictly prohibited.

Fixed Income

The primary objectives of the Trust's fixed income allocation are to preserve capital and generate a reasonable level of cash flow. The secondary objective is to provide price returns that exhibit lower correlation to the broad global equity markets in order to reduce the overall risk of the portfolio.

The Investment Manager of the diversified portfolio can purchase and manage the fixed income allocation using individual bonds that are United States Dollar denominated only. Issuer selection can include domestic corporate bonds and any obligations of the United States Government and/or its agencies.

The Investment Manager can also utilize other investment vehicles such as, mutual funds, exchange traded funds, closed-end funds, etc. Total fixed income exposure is able to include, both domestic and international bonds, both developed and emerging countries and geographic regions. Direct holdings of individual corporate bonds in any one company should not exceed 5% of the market value of the invested portfolio; however, this is not applicable to the United States Government and/or its agencies. Lower-quality investments may only be held through diversified vehicles, such as mutual funds or exchange-traded funds.

Investing directly in real estate, mortgages, collateral or non-collateral loans, private placements, fixed income or interest rate futures, or any other specialized fixed income ventures is strictly prohibited. Investing directly in unit-investment trusts (UITs) and business development companies (BDCs) are strictly prohibited.

Alternative Investments

The primary objective of the Trust's alternative allocation is to provide long-term capital appreciation that is less correlated to broad global equity and fixed income indexes.

The Investment Manager of the diversified portfolio can only purchase those strategies that are deemed to be alternative through daily-liquid diversified investment vehicles such as, mutual

funds, exchange-traded funds, closed-end funds, etc.

Investing directly in unit-investment trusts (UITs) and business development companies (BDCs) are strictly prohibited.

Cash and Cash Equivalents

Cash will be maintained to provide periodic cash distributions, if and when necessary. Cash will not normally be held as a strategic investment asset, although the Investment Manager may seek to allow cash to build to the maximum level in times of market uncertainty.

D. Specific Risks

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The Town will manage credit risk several ways. There will be no limit to the amount of United States Treasury and United States Government Agency obligations.

In regards to fixed-income investments, the Town will only purchase investment grade securities. Lower-quality investments may only be held through diversified vehicles, such as mutual funds or exchange-traded funds. Investments in fixed income securities will be made primarily for income and capital preservation.

Custodial Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

The Town will review the financial institution's financial statements and the background of the sales representative. The intent of this qualification is to limit the Town's exposure to only those institutions with a proven financial strength, Capital adequacy of the firm, and overall affirmative reputation in the municipal industry.

Further, all securities not held directly by the Town, will be held in the Town's name and tax identification number by a third-party custodian approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

The Town will minimize Concentration of Credit Risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. As stated above, securities of a single corporate issuer (with the exception of the United States Government and its Agencies) will not exceed 5% of the portfolio value.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The Town will manage interest rate risk by managing duration, as a measure of interest rate sensitivity, in the Trust.

Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign monetary exchange rates will adversely affect the fair value of an investment or a deposit.

The Town will, as much as feasible, mitigate foreign currency risk.

E. 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 IPS, and exercising reasonable 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 IPS.

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.

F. Ethics

The Treasurer and Assistant Treasurer shall refrain from any personal activity that may conflict with the proper execution of the investment program or which could impair or appear to

impair ability to make impartial investment decisions. The Treasurer shall disclose to the Town Administrator any material financial interest in financial institutions that do business with the Town. They shall also disclose any large personal financial investment positions or loans that could be related to the performance of the Town's investments.

G. Relationship with Financial Institutions

Financial institutions should be selected first and foremost with regard to their financial soundness and stability. Brokers should be recognized, reputable dealers. All cash and securities shall be held in either a bank that is allowable for the deposit of public funds, provided funds on deposit are insured by the Federal Deposit Insurance Corporation (FDIC), or in an Investment Brokerage Account that is insured by the Securities Investor Protection Corporation (SIPC). If a banking institution is selected as manager, the Town will subscribe to Veribanc[®], a recognized bank rating service.

The Treasurer shall require any brokerage houses and broker/dealers, wishing to do business with the Town, to supply the following information to the Treasurer:

- Annual financial statements
- If acting as a Registered Investment Adviser, Form ADV Part II report
- Errors & Omissions insurance amounting to, at a minimum, the total fair market value of the Trust Funds Portfolio.
- A statement that the Advisor has read the Town's IPS and will comply with it on an annual basis
- Annual review all advisors through www.finra.org: Broker Check

H. Reporting Requirements

On a quarterly basis, a report containing the following information will be prepared by the Treasurer and distributed to the Finance Director, Town Administrator, and Board of Selectmen, as appropriate. The quarterly report will include the following information, as a minimum requirement:

- A listing of the individual accounts and individual securities held at the end of the reporting period.
- A listing of the short-term investment portfolio by security type and maturity to ensure compliance with the diversification and maturity guidelines established in the "Diversification" section of this IPS.
- A summary of the income earned on a monthly basis and year-to-date basis shall be reported.
- 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 IPS.

I. Performance Measurement and Evaluation

- The individual and custom benchmarks that will be monitored for performance reporting and analysis of the Trust's portfolio are stated and described in the addendums to this IPS.
- It is expected that the respective asset classes of the Trust's diversified portfolio will outperform their respective benchmarks, net of fees and expenses, on a long term (market cycle) basis.

K. Supervision

- The Treasurer will meet with the investment manager(s) as frequently as semi-annually to monitor the performance of the funds and the investment manager(s) compliance with these guidelines. The Treasurer will receive and review portfolio management reports quarterly.
- The Treasurer will review this Investment Policy Statement at least once a year to ensure that it remains appropriate and complete.
- The Treasurer has the option to put the management of funds out for bid periodically, and may consider such option not less frequently than every five years, through a request for information, request for proposal, or similar process as required by law or town policy.

L. Legal References

- Massachusetts General Law Chapter 32B, Section 20
- Massachusetts General Law Chapter 203C, Section 1 through 11

I _____, Treasurer of the Town of Wenham have reviewed this IPS and will manage the Town's OPEB Trust under my control in accordance with this IPS and any attached Addendums.

Treasurer's Signature

Treasurer's Printed Name

Date

ADDENDUM #1

INVESTMENT PARAMETERS

The information contained herein shall dictate the long-term asset allocation targets as well as minimum and maximum parameters, when applicable, that will govern the management of the investable portion of the Trust. The methodology for determining specific security and investment strategy definitions is detailed in Addendum #2.

<i>Category</i>	<i>Min</i>	<i>Target</i>	<i>Max</i>
Equity	35%	60%	75%
Domestic Equity	20%	40%	50%
International Equity	5%	20%	30%
Preferred Equity	0%	0%	10%
Balanced	0%	0%	10%
Fixed Income	25%	40%	65%
Domestic Bonds	20%	30%	50%
International Bonds	0%	10%	20%
Alternatives	0%	0%	0%
Cash	0%	0%	10%
Total	---	100%	---

Treasurer's Signature

Date

ADDENDUM #2

ASSET ALLOCATION DEFINITIONS

<i>Asset Class</i>	<i>Asset Category</i>	<i>Morningstar Category</i>	
Domestic Equity	Large Cap	Large-Cap Blend	Energy
		Large-Cap Growth	Financial
	Mid Cap	Large-Cap Value	Healthcare
		Communications	Industrials
Small Cap	Consumer Cyclical	Technology	
	Consumer Defensive	Utilities	
Preferred Equity	Consumer Staples	Miscellaneous Sector	
	Mid-Cap Blend	Mid-Cap Value	
International Equity	Developed	Mid-Cap Growth	
		Small-Cap Blend	Small-Cap Value
Emerging Markets	Emerging Markets	Small-Cap Growth	
		Preferred Stock	
Balanced	Balanced	Foreign Large-Cap Blend	Foreign Small/Mid Blend
		Foreign Large-Cap Growth	Foreign Small/Mid Growth
Domestic Bond	Investment Grade	Foreign Large-Cap Value	Foreign Small/Mid Value
		World Stock	Japan
High Yield	High Yield	Europe	
		Emerging Markets	Pacific/Asia
International Bond	World Bond	India	Pacific/Asia ex-Japan
		Latin America	Miscellaneous Region
Alternatives	Equity Alternatives	China	
		Aggressive Allocation	World Allocation
Other Alternatives	Bond Alternatives	Moderate Allocation	Target Date
		Conservative Allocation	Retirement Income
Managed Futures	Real Estate	Tactical Allocation	
		Real Estate	Global Real Estate
Other Alternatives	Managed Futures	Corporate Bond	Muni National Intermediate
		Arbitrage	Precious Metals
Other Alternatives	Other Alternatives	Inflation Protected Bond	Muni National Long-Term
		Hedge Funds	Commodities
Other Alternatives	Other Alternatives	Intermediate Gov't Bond	Muni National Short-Term
		Multi-Alternative	Natural Resources
Other Alternatives	Other Alternatives	Intermediate Term Bond	Muni Single State
		Trading/Tactical	Bear Market
Other Alternatives	Other Alternatives	Long-Term Bond	Short-Term Bond
Other Alternatives	Other Alternatives	Long-Term Gov't	Short-Term Gov't Bond
Other Alternatives	Other Alternatives	Stable Value	Ultrashort Bond
Other Alternatives	Other Alternatives	Multisector	Multisector Bond
Other Alternatives	Other Alternatives	High-Yield Bond	Bank Loans
Other Alternatives	Other Alternatives	High-Yield Muni	
Other Alternatives	Other Alternatives	World Bond	World Bond
Other Alternatives	Other Alternatives	Emerging Markets Bond	Emerging Markets Bond
Other Alternatives	Other Alternatives	Long/Short Equity	Market Neutral
Other Alternatives	Other Alternatives	Private Equity	
Other Alternatives	Other Alternatives	Nontraditional Bond	
Other Alternatives	Other Alternatives	Real Estate	Global Real Estate
Other Alternatives	Other Alternatives	Direct Property	
Other Alternatives	Other Alternatives	Managed Futures	Currency
Other Alternatives	Other Alternatives	Arbitrage	Precious Metals
Other Alternatives	Other Alternatives	Hedge Funds	Commodities
Other Alternatives	Other Alternatives	Multi-Alternative	Natural Resources
Other Alternatives	Other Alternatives	Trading/Tactical	Bear Market

Treasurer's Signature

Date

ADDENDUM #3

PERFORMANCE REPORTING

The information contained herein shall dictate the individual and blended benchmark(s), when applicable, to be utilized in monitoring the performance of the investable assets of the Trust.

<i>Category</i>	<i>Index</i>	<i>Percentage</i>
Equity	MSCI AC World Index	60%
Domestic Equity	---	
International Equity	---	
Preferred Equity	---	
Balanced	---	
Fixed Income	Barclays Capital Global Aggregate Bond	40%
Domestic Bonds	---	
International Bonds	---	
Alternatives	---	
Cash	---	
Total		100%

Treasurer's Signature

Date

Town of Wenham, Massachusetts
Investment Policy Statement
Approved by: Board of Selectmen
Effective: 08/01/2017

The primary purpose of this Investment Policy Statement (IPS) is to provide a clear understanding regarding the Town of Wenham (the "Town") Long Term Funds and, General Fund objectives, goals, risk tolerance, and investment guidelines established for the investment of town funds.

I. The Investment of General Funds, Special Revenue Funds, Enterprise Funds, and Capital Projects Funds

A. Scope

This section of the IPS applies only to short term operating funds such as general funds, special revenue funds, enterprise funds, bond proceeds and capital project funds. A separate Contributory Retirement Board, either local or county, is responsible for the investment of the pension funds.

B. Investment Instruments

Note: Public investments in Massachusetts are not protected through provisions in State law.

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. 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 CD's up to the standard limits 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 ("CDs") (Up to three years) which are fully collateralized through a third party agreement: Unlimited Amounts
- Bank accounts and CDs (Up to three years) insured by F.D.I.C. up to the coverage limit. All bank accounts and CDs in one institution are considered in the aggregate for the insurance coverage limit. In some cases, Banking Institutions carry additional insurance, Depository Insurance Fund (D.I.F.): 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: No more than 5% of an institution's

assets and no more than 25% of a municipality's cash may be comprised of unsecured bank deposits. This percentage may be increased for not more than 30 days during times of heavy collection or in anticipation of large payments that will be made by the entity in the near future. For example, these payments may be for such items as debt service payment or regional school assessments. Their credit worthiness will be tracked by Veribanc, or other bank credit worthiness reporting systems. They will be diversified as much as possible. CDs will be purchased for no more than one year 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.

C. 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. With the exception of U.S. Treasury obligations or investments fully collateralized by U.S. Treasuries or agencies, and State pools (MMDT), no more than 25% of the Town's investments shall be invested in a single financial institution.

D. Authorization

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

E. Restrictions

Chapter 44, Section 55 set forth 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 with which he is, or for any time during the three years immediately preceding the date of any such deposit was, associated as an officer or employee.
- All securities shall have a maturity from date of purchase of one year or less, with the exception of bank certificates of deposit which will not exceed three years from the date of purchase.
- 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.

F. Legal 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 Long Term Funds

A. Scope

This section of the IPS applies only to funds that are designated as long term, i.e. trust funds, stabilization funds, cemetery perpetual care, Town preservation act and other funds the town may have set aside for long term use.

All accounts will be maintained separately receiving their proportionate interest and any realized and unrealized gains or losses. The account may be established as a pooled investment portfolio unless otherwise stated. Any additional accounts will be maintained in this same manner.

B. Authority

Massachusetts General Law Chapter 44, section 54 pertains to the investment of Trust Funds, Chapter 40 Section 5B pertains to the investment of Stabilization Funds and, Chapter 44B section 7 pertains to the investments of Town Preservation Funds. All trust funds shall fall under the control of the entity's Treasurer unless otherwise provided or directed by the donor.

If the trust fund results from a gift, grant or bequest from a private donor, and the private donor specifies how the trust shall be invested; the trust fund shall be invested in accordance with the terms of the gift, grant or bequest. If there is a conflict between such donor terms and this Section II, the donor terms shall govern, subject to the general principles of prudence set forth in the Policy.

C. 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 (15%) of any such trust funds shall be invested in bank stocks and insurance company stocks, nor shall more than one and one-half percent (1 ½%) of such funds be invested in the stock of any one bank or insurance company.

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 (“CDs”) 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 CDs (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.): All bank accounts and CDs in one institution are considered in the aggregate to receive the insurance coverage limit.
- 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 25% of a municipality's cash. This percentage may be increase for not more than 30 days during times of heavy collection or in anticipation of large payments that will be made by the Town in the near future. These payments maybe for such items as debt service payment or regional school assessments. Their credit worthiness will be tracked by Veribanc, or other bank credit worthiness reporting systems. They will be diversified as much as possible. CDs will be purchased with no limit to the length of maturity from the date of purchase and will be reviewed frequently.
- Corporate Bonds that are listed in the List of Legal Investments, using the following criteria:
 - Purchase Constraints:
 - The Town's investment portfolio can only invest in a corporate bond that is rated at least A-, or the equivalent, by at least one of the three major rating agencies (i.e. – Standard & Poor's, Moody's, or Fitch) at the time of purchase.
 - Liquidation Procedures:
 - Positions held in corporate bonds must be liquidated within 90 days upon being downgraded to BBB, or the equivalent, by at least two of the three major rating agencies.
- 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.

D. 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 IPS, and exercising reasonable 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 IPS and the associated Massachusetts General Laws.

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.

E. 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, with the exception of U.S. Treasury obligations or investments fully collateralized by U.S. Treasuries or agencies.

The asset allocation parameters that will govern the diversified investment portfolio are included as addendums to this IPS.

F. Legal References

Massachusetts General Law Chapter 40, Section 5B
Massachusetts General Law Chapter 44, Section 54
Massachusetts General Law Chapter 44, Section 55A
Massachusetts General Law Chapter 44, Section 55B
Massachusetts General Law Chapter 44B, Section 7

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.

III. General Provisions

A. Objective

Massachusetts General Laws, Chapter 44, section 55B requires the Entity's Treasurer to invest all public funds except those required to be kept uninvested 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 into account the acceptable levels of safety, liquidity and yield. Therefore, these guidelines are intended to further the objective of securing the highest reasonable return available 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 preserve 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 attempt to carry out investment activities in a manner that provides for meeting unusual or unexpected cash demands without requiring 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.

B. Risk Tolerance

- Credit Risk

“Credit risk” is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The Town will manage credit risk several ways. There will be no limit to the amount of United States Treasury and United States Government Agency obligations. In regards to other investments, the Town will only purchase investment grade securities with a high concentration in securities rated A or better. The Town may invest in the Massachusetts Municipal Depository Trust (MMDT) with no limit to the amount of funds placed in the fund. The Town may place funds in banking institutions as stated in Section C of this IPS.

- Custodial Risk

The “custodial credit risk” for deposits is the risk that, in the event of the failure of a depository financial institution, a municipality will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a municipality will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

The Town will review the financial institution’s financial statements and the background of the Advisor. The intent of this qualification is to limit the Town’s exposure to only those institutions with a proven financial strength, Capital adequacy of the firm, and overall affirmative reputation in the municipal industry. Further, all securities not held directly by the Town, will be held in the Town’s name and tax identification number by a third-party custodian approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security.

- Concentration of Credit Risk

“Concentration of credit risk” is the risk of loss attributed to the magnitude of a government’s investment in a single issuer.

The Town will minimize concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

- Interest Rate Risk

“Interest rate risk” is the risk that changes in interest rates will adversely affect the fair value of an investment.

The Town will manage interest rate risk by managing duration in the account.

- Foreign Currency Risk

“Foreign currency risk” is the risk that changes in foreign monetary exchange rates will adversely affect the fair value of an investment or a deposit.

The Town will limit investment in any instrument exposed to foreign currency risk.

C. Ethics

The Treasurer (and Assistant Treasurer) shall refrain from any personal activity that may conflict with the proper execution of the investment program or which could impair or appear to impair ability to make impartial investment decisions. Said individuals shall disclose to the Town Administrator any material financial interest in financial institutions that do business with the Town. They shall also disclose any large personal financial investment positions or loans that could be related to the performance of the Town's investments.

D. Relationship with Financial Institutions

Financial institutions should be selected first and foremost with regard to their financial soundness and stability. The Town may subscribe to the Veribanc Rating Service to evaluate the banking institutions with which it chooses to establish relationships. Brokers should be recognized, reputable dealers and members of the Financial Industry Regulatory Authority (FINRA).

In instances where the Town does not purchase the Veribanc Rating Service, the Treasurer should request the banking institution's Veribanc rating from all of the banking institutions that are working with the Town on a quarterly basis.

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 time table for it to be changed to green. If for a second quarter such rating is not green, the Treasurer should consider removing all funds that are not collateralized, or carries some form of depositor's insurance. If a rating moves to red, all money should be immediately collateralized or covered by some form of depositor's insurance or be removed from the banking institution.

The Treasurer shall require any brokerage houses and broker/dealers wishing to do business with the municipality to supply the following information to the Treasurer on an annual basis:

- Annual Financial statements
- If acting as a Registered Investment Advisor, copy of their most recent Form ADV Part II report
- Errors & Omissions insurance amounting to, at a minimum, the total fair market value of the Trust Fund Portfolio
- A statement that the Advisor has read the municipality's IPS and will comply with it on an annual basis
- Annual review all advisors through www.finra.org: Broker Check

E. Reporting Requirements

On a quarterly basis, a report containing the following information will be prepared by the Treasurer and distributed to the Finance Director, Town Administrator, and Board of Selectmen, as appropriate. The quarterly report will include the following information, as a minimum requirement:

- A listing of the individual accounts and individual securities held at the end of the reporting period.

- A listing of the short-term investment portfolio by security type and maturity to ensure compliance with the diversification and maturity guidelines established in the "Diversification" section of this IPS.
- A summary of the income earned on a monthly basis and year-to-date basis shall be reported.
- The Treasurer shall include in the report a brief statement of general market and economic conditions and other factors that may affect the entity's cash position.
- The report should demonstrate the degree of compliance with the tenets set forth in the IPS.

I _____, Treasurer of the Town of Wenham have reviewed this IPS and will manage the Town's funds under my control in accordance with this IPS.

Treasurer's Signature

Treasurer's Printed Name

Date

Part 3 Approved

**ADDENDUM #1
INVESTMENT PARAMETERS**

The information contained herein shall dictate the long-term asset allocation minimums and maximums that will govern the management of the diversified investment portfolio.

<i>Category</i>	<i>Min</i>	<i>Target</i>	<i>Max</i>
Equity	5%	10%	20%
Fixed Income	70%	85%	100%
Cash	3%	5%	10%
Total	---	100%	---

Treasurer's Signature

Date

Motor Vehicle Excise Tax Commitments and Accounts Receivable Policies and Procedures

Approved by: Board of Selectmen
Effective: 08/01/2017

PURPOSE:

To establish motor vehicle excise tax billing, collection, and abatement standards that are consistent with statutory requirements in order to assure collection of committed charges based on a sound system of internal controls and division of responsibilities.

AUTHORITY:

MGL Chapter 60A

POLICY:

The town's policy is to optimize cash flow by mailing each motor vehicle commitment within 15 days of receipt of the *Assessors Warrant to the treasurer/collector* for each commitment from the Registry of Motor Vehicles (RMV). The first major motor vehicle excise (MVX) commitment of each calendar year, which is the largest commitment, will be mailed within 21 days of receipt of the commitment file from the town's deputy collector. All subsequent commitments are to be mailed within two weeks of receipt of the file from the deputy collector.

Bills are due and payable in full within 30 days of issue. Demand notices will be mailed within 15 days of the due date of the excise bill. Interest is charged at 12 percent per annum pursuant to M.G.L. and begins accruing from the due date until it is paid.

A \$5.00 demand fee will be included along with interest on the unpaid balance of the bill. Payments not paid at demand are subject to:

- o Warrant fee of \$10.00 and notice fee of \$12.00
- o If not paid then final warrant fee of \$17.00 and
- o If not paid then Registry of Motor Vehicle fee of \$20.00.

BACKGROUND

The town currently has a contract with a third party deputy collector which is responsible for motor vehicle excise bill printing and mailing as well as delinquent payment processing and collection. The town is responsible for assuring that commitments are accurate, for reviewing and approving abatements; for issuing refunds and for the overall monitoring and oversight of the excise tax process.

Commitment

The Massachusetts RMV maintains records of all motor vehicles registered in the state and their related valuations. Several times over the course of a year, the RMV provides an electronic tape to the deputy collector which documents the total value of the specific commitment and contains all the information for billing to taxpayers.

PROCEDURES:

- The town's deputy collector is responsible for acquiring the billing/commitment tape/files from the RMV on a timely basis. The RMV file provides the make, model, year, vehicle identification number, and registration number, as well as the owner, the address where the car is registered and the assessed value. The file is converted by the deputy collector and electronically sent to the treasurer/collector for review and processing.
- The Treasurer/Collector provides the file to the Assessor who is responsible for identifying any exempt vehicles or vehicles which should be deleted from the billing/commitment.
- The Assessor completes the commitment for the MVX billing. The Board of Assessors sends either a *Letter of Commitment or Warrant* to the tax collector and *State Tax Form 56* to the Town Accountant for recording of the commitment on the general ledger.
- The Treasurer/Collector sends the deputy collector a listing of adjustments and/or abatements in order to update the commitment file for tax bill mailing.
- Once the bills are mailed, the Treasurer/Collector posts the affidavit as to time of sending on the bulletin board outside of the Town Clerk's office in order to provide appropriate evidence of the mailing to interested residents.

Application of MVX Payments

POLICY:

The town's policy is to assure the correct application of MVX payments on a timely basis.

Current Payments and Demand Payments

PROCEDURES:

Current MVX payments and demand payments are received

- By mail to a lock box at Century Bank
- In person at the Treasurer/Collector's office
- Via online with Unibank payment.

Delinquent/Warrant Payments

PROCEDURES:

The responsibility for warrants for delinquent MVX accounts is a function of the deputy collector.

- The deputy collector collects all delinquent payments.
- The deputy collector submits the turnover of MVX collections (*transfer report*) to the treasurer/collector once a week. All collection fees due to the deputy collector will be accounted for on the transfer report. The report will show the amount collected, the amount turned over to the town and the amount retained by the deputy collector.
- The deputy collector also provides a file of all delinquent payments (weekly) to the treasurer/collector.

Collection

PROCEDURES:

- The Treasurer/Collector maintains an Excel MVX collection calendar that documents, by year, for each commitment:
 - Commitment date
 - Demand date
 - Warrant date
 - Final Warrant date
 - Flagging (bills marked) date.
- Demand bills are issued within two weeks of the due date of the original bill. A \$5.00 demand fee and 12 percent interest is added to the balance due, as allowed by Massachusetts General Law.
- If the excise bill remains unpaid, then the deputy collector is authorized to continue the collection process.
- Warrant notices are issued by the deputy within 15 days of the demand bill due date. The service of the warrant notice fee of \$12.00 is assessed as well as the warrant fee of \$10.00.
- If a second and final warrant is sent, another fee of \$17.00 is assessed for the deputy's services.
- As a final collection action the vehicle is 'marked.' The deputy notifies the RMV of any unpaid bills within 90 days of the excise bills issue date. A 'marked' bill includes an additional \$20.00 fee. Delinquent taxpayers are notified at this point that the RMV has marked their license as non-renewable and that there is reciprocity to other states.
- The Treasurer/Collector has contractually delegated to the deputy collector, the responsibility to mark a resident's driver's license and registration on the database at the RMV. This action prohibits the vehicle owner from registering the vehicle or renewing their license without paying outstanding balances.

- The Treasurer/Collector, through the deputy collector, is also responsible for removing the marking from the RMV's database upon the receipt of the MVX payment from the vehicle owner/taxpayer.

MVX Abatements

POLICY:

The town's policy is that the Assessor has sole responsibility for granting MVX abatements when appropriate. It is the town's policy to receive and process motor vehicle abatement applications in a timely manner in accordance with state law.

PROCEDURES:

- Requests for abatements can either be presented at the counter in the Assessor's office or may be filed in writing (*State Tax Form 146 – Appendix 23*) with the Assessor's office on or before December 31st of the year following the year for which the excise was assessed. If the excise bill was sent after December 31st of the succeeding year, the request for abatement must be made on or before the 30th day after the notice was sent. If the taxpayer has disposed of the vehicle, the taxpayer must present proof in the form of a plate return receipt or the bill of sale.
- When a taxpayer has a dispute with the value assigned to a vehicle, the Assessor will contact the RMV to research the valuation.
- The RMV will send the Assessor a letter if there is an error in valuation.
- The Assessor will issue a revised bill to the motor vehicle owner for the correct excise amount due for the vehicle.
- The Assessor's office will forward a listing of all abatements issued by levy year which have been granted by the Board of Assessors to the Treasurer/Collector and to the Town Accountant at the end of each month.

Refunds

POLICY:

On a monthly basis, the Treasurer/Collector will produce a *MVX credit balance report* to determine possible refunds.

PROCEDURES:

- The Treasurer/Collector will prepare the *Authorization for Payment* listing the motor vehicle owner and amount to be refunded. Each refund listed on the bill schedule should be coded with the appropriate accounts receivable code by fiscal year. This document must be verified for accuracy and signed by the treasurer/collector. Once approved by the Treasurer/Collector it is submitted to the Town Accountant for payment on the warrant.

Payroll Policies and Procedures

**Approved by: Board of Selectmen
Effective: 08/01/2017**

PURPOSE:

To define time and attendance and payroll standards and practices to assure that all payrolls presented for payment are valid obligations of the town based upon approved time and attendance records and are consistent with the requirements of collective bargaining requirements.

AUTHORITY:

MGL Chapter 41 §§41, 41A, 41B, 41C, 42 and 43

POLICY:

It is the town's policy to assure sound controls for all payroll transactions by requiring *Letters of Offer* from the appointing authority and/or *Personnel Action Forms (PAFs)* for new hires, reclassifications and salary adjustments in the payroll system. Department heads are responsible for the timely submittal of Personnel Action Forms. The Town Administrator's office is responsible for all entry of new employees and adjustments to employee's pay/classification data.

The Finance Department is responsible for the oversight and administration of the bi-weekly payroll based on receipt of approved time and attendance documentation from all town departments.

Personnel Actions

PROCEDURES:

Either a Personnel Action Form or Letter of Offer from an appointing authority is required to document and approve new hires, promotions, demotions, pay changes, transfers and changes in employment status.

- The department head (or designee) must complete a PAF in order to initiate any change in the pay or status of an employee. The PAF is sent to the Town Administrator for approval. Once approved by the Town Administrator, the PAF is submitted to the Finance Director for budget approval. Finally, the PAF is submitted to the Treasurer/Collector or his/her designee for input into the payroll system database.

Time and Attendance

POLICY:

It is the policy of the town that the Finance Department will only process a department's payroll based upon receipt of a department's certified record of time and attendance. The town utilizes this policy to control the following:

- accurate computation of employee earnings, deductions and net pay
- accurate computation of employee sick, vacation and other leave.

PROCEDURES:

- Each department must submit the town *payroll timesheet* for the respective pay period. The *payroll timesheet* report will indicate the employee name, appropriation account number to be charged and the payroll hours for the pay period designating regular, overtime, holiday, sick or personal time used.
- The department head is responsible for reviewing and signing the town *payroll timesheet*. Consistent with state law, the department head signs the payroll and "certifies under the penalty of perjury that the statements set forth on this payroll are true to the best of my knowledge."
- Consistent with MGL Chapter 41 §41, each department head must make arrangements with the Finance Office to provide for a lawful alternate payroll signer. The accountant's office will not allow an alternate signature until the board of selectmen authorizes said signer.
- The department's town *payroll timesheet* must be submitted to the Finance Department by 10:00 am on Monday following the end of the pay period. The deadline for submission on a Monday holiday, is the preceding Friday at the same time.
- The Treasurer/Collector (or designee) is responsible to fund the payroll and to transfer the required funding to the payroll bank account and to transmit the direct deposit activity to the town's payroll bank.

Property Tax Commitments and Accounts Receivable Policies and Procedures

Approved by: Board of Selectmen
Effective: 08/01/2017

PURPOSE:

To establish real and personal property tax billing, commitment, abatement and lien processing standards and practices consistent with statutory requirements in order to assure collection of all committed charges based on a sound system of internal controls and division of responsibilities.

AUTHORITY:

MGL Chapter 60

Commitment and Billing (Actual Tax Billing)

POLICY:

The town's policy is to issue bills for real estate and personal property on a quarterly basis in order to optimize cash flow. Interest is charged at a rate of 14 percent per annum for any unpaid balances after the respective due dates. Demand notices will be mailed by May 31st on any unpaid balances after May 1. A demand fee of \$15.00, as well as 14 percent interest, will be included on the demand bills in accordance with state statute.

PROCEDURES:

- The Assessor maintains an automated file of all property valuations. Before a tax commitment is processed an *LA4 report* is generated. An LA4 provides the type (class), parcel counts, assessed valuation and total commitment amount.
- The Assessor will independently complete the *Assessors Warrant to the Treasurer/Collector – State Tax Form 58* which documents the amount of the total billing to be committed for collection. One copy of the warrant shall be forwarded to the Treasurer/Collector and one copy shall be forwarded to the Town Accountant. The Assessor prepares one warrant (State Tax Form 58) for the real estate commitment and a separate warrant (State Tax Form 58) for the personal property commitment.
- The Assessor will submit one copy of the *accounts receivable financial report* with the final assessed values to the Department of Revenue (DOR) as verification that the assessed valuations, which were used as the basis for the billing, are in agreement with those reported on the *Tax Recapitulation Sheet* that the Town had submitted to DOR for certification of the tax rate.
- The Treasurer/Collector electronically transmits the *accounts receivable* file to the deputy collector for printing and mailing of the tax bills.
- When the treasurer/collector has reviewed the *Real Estate Warrant and Personal Property Warrant - State Tax Forms 58* and the sample tax bills and control totals provided by the deputy collector, the Treasurer/Collector will provide signed

authorization to the deputy collector authorizing the mailing of tax bills.

- The Treasurer/Collector sends notice of tax billing and commitment to the Department of Revenue - Bureau of Accounts and posts the *Affidavit of Mailing* on the bulletin board outside of the town clerk's office in order to provide appropriate evidence of mailing for interested taxpayers.

Application of Tax Payments

POLICY:

It is the town's policy to assure the correct application of payments on a timely basis. Receipts that are subject to interest, demands and other costs shall be applied in the following order pursuant to M.G.L: interest, demand or other fees, utility liens, betterment assessments, tax title liens, real estate or personal property tax due.

PROCEDURES:

The Town receives tax payments in one of four ways:

- o By mail to the lock box at Century Bank,
- o Via electronic transmission from the tax servicing companies that submit payments for multiple taxpayers' accounts
- o By online payment (UniPay)
- o In person at the treasurer/collector's office.

Tax Abatements and Exemptions

POLICY:

The town's policy is to assure the correct application of taxpayers' abatements and exemptions on a timely basis.

The Assessor grants abatements for real estate and personal property as appropriate. Exemptions are granted for one year only. The qualifying date is July 1st for veterans, blind, surviving spouses, elderly and others along with and tax deferrals that meet the statutory requirements.

PROCEDURES:

- The Assessor sends documentation of each abatement or exemption that has been granted by the Board of Assessors to the Treasurer/Collector and to the Town Accountant.
- The Treasurer/Collector retains the Assessor's *Abatement/Exemption Report* as the hard copy record of the abatements/exemptions for the period.
- If the abatement or exemption creates a credit balance on the annual tax levy for the property, the Treasurer/Collector will issue a refund to the taxpayer within 30 days.

Property Tax Refunds

POLICY:

The policy of the town is that the Treasurer/Collector is responsible for taxpayer refunds. Refunds for real estate and personal property are processed after May 1 (last tax due date) of any given year to assure all taxes due for the fiscal year have been paid. If the taxpayer is not current in the payment of other balances due to the Town, the credit balance from the overpaid account will be applied to the account with an outstanding balance. If the credit balance is greater than the amount applied to the outstanding balance, the remaining credit balance shall be refunded.

Special Situations/Real Estate

POLICY:

It is the policy of the town to bill, collect and record in the collection system in an accurate and timely manner all of the special situations listed below in accordance with Massachusetts General Law.

BACKGROUND:

Omitted/Revised Assessments

The Assessor shall correct omitted or revised assessments either by June 20th or 90 days after the mailing of the tax bill, whichever is later. If the omission or revision is not corrected by June 20th, it cannot be corrected.

The Assessor records the amount of the omitted assessments on *State Tax Form 62 – A warrant issued by the Assessors to the Tax Treasurer/Collector to collect taxes for the omitted assessment*. Revised assessments are recorded on *State Tax Form 63*. One copy of the warrant is issued to the Treasurer/Collector and one to the Town Accountant for posting to the general ledger and to provide an audit trail for month-end reconciliation of the tax receivable.

Apportionment (of unpaid taxes)

An apportionment divides unpaid taxes between the assessed owner and the owner who is acquiring the property after the January 1 assessment date.

Reassessments

Reassessments correct the already committed tax bill. Reassessments are issued because of various errors. There must be a balance of taxes due to issue a reassessment.

A warrant is issued to the Treasurer/Collector and a copy sent to the Town Accountant. The Assessor uses *State Tax Form 44* to warrant reassessments. When completing *State Form 44*, the total taxes to be collected do not change.

Pro forma

A *Pro forma* is issued when a previously exempt property is sold. The *pro forma* takes the property out of its exempt status. In this case, a letter is issued to the Treasurer/Collector identifying the property as an omitted assessment and a warrant is issued using *State Tax Form 62* to assure that the full tax is collected. A copy of the warrant (State Tax Form 62) is submitted to the Town Accountant for posting to the general ledger.

Part 3 Approved

Purchasing Policies and Procedures

**Approved by: Board of Selectmen
Effective: 08/01/2017**

PURPOSE:

To establish purchasing standards and practices consistent with or exceeding state procurement law, and to identify activities and reviews that are centralized for purposes of control within the office of the Town Administrator.

AUTHORITY:

MGL Chapter 30B
MGL Chapter 7 §38 A-M
MGL Chapter 7C §44-57
MGL Chapter 25A
MGL Chapter 30 §39M
MGL Chapter 149 §44 A-M

POLICY:

The town's goal is to optimize the value received for each tax dollar expended by strict adherence to competitive quotation and bidding requirements and by participation in state and regional cooperative purchasing agreements. The town seeks to obtain goods and services that will reliably perform their function at the lowest possible cost to the town.

It is the town's policy that any employee who orders materials, supplies or services without proper approvals and adherence to the town's purchasing policy and state procurement statute may be held liable for payment.

DIVISION OF RESPONSIBILITY

The town's control and oversight of all procurements are largely centralized in the Town Administrator's office. While municipal departments are responsible for obtaining quotes and following sound business practices for minor solicitations, the Town Administrator's office exercises significant control over the procurement function, as it is the sole authority to approve and issue bid specifications and related advertisements; prepare bid tabulation and evaluations; and make determinations of contract award for sealed bid solicitations up to contracts up to \$50,000.

PROCEDURES:

QUOTATION AND BIDDING REQUIREMENTS

Quotations and bids for the delivery of food and/or services will be made in accordance with Chapter 30B of the Massachusetts General Laws or can be more restrictive based on the determination of the Town Administrator's office.

1. Supplies and Services under \$10,000.

M.G.L. c 30B requires the use of sound business practices, defined as the receipt of favorable prices by periodically soliciting price lists or quotes, for supplies and services under \$10,000.

2. Supplies and Services between \$ 10,000 and \$49,999.

M.G.L. c 30B requires the solicitation of at least three oral or written quotes for any purchase of supplies or service of at least \$10,000 but less than \$50,000. Departments must document quotations from vendors and provide a copy of the quotation as supporting documentation to the Town Administrator for approval. Proof of procurement compliance must be submitted before payments will be processed.

3. Supplies and Services in excess of \$50,000

M.G.L. c 30B requires competitive sealed bids or proposals for supplies or services in excess of \$50,000. Bids or proposals must be publicly advertised. The Town Administrator, as the town's Chief Procurement Officer, with the assistance of the Finance Director, is responsible for assuring that all documents have been created and all requirements have been met for each bid.

General Rules for Solicitations Requiring Sealed Bids:

- Requests to Advertise the Bid: The department must submit the appropriate bid documents to the Town Administrator's office.
- The Town Administrator's office will review the bid documents for form, completeness and availability of budgeted funds and approve or reject the Request to Advertise for Bids.
- Solicitation of Bids: When requests are approved, bids are solicited and a date, time, and location is established for the receipt of the bids. Vendors wishing to bid must submit their bids to the identified department on or before that time. As bids are received, they must be time and date stamped by the receiving department as proof of receipt. Bids arriving after this deadline are returned un-opened to the vendor marked as a "late bid."
- Bid Deposits: Some formal bids require bid deposits in the form of certified checks or bid bonds. These must be enclosed with the bids and will be returned to the respective vendors in compliance with the terms of the bid specifications.
- **Bid Opening:** The bids are publicly opened in the pre-established location by the department's procurement designee with one witness present. Bids are informally tabulated and the apparent low bidder announced pending a complete examination of all bids for verification of totals, and compliance to specifications.
- **Bid Tabulation:** The department that opened the bids must complete a formal *Bid Tabulation* which analyzes the unit prices, discounts, delivery terms and charges, trade in allowances and all factors to determine the bidder with the lowest bid price. This tabulation should also note if other relevant factors have been met: for example, provision of a bid bond. The bid tabulation is made available to the public for inspection indicating the ranking of all bidders and the tabulation becomes a permanent part of the bid file.

- **Lowest Responsive and Responsible Bidder:** Bids should be awarded based on the specific bid award terms of each solicitation, including: to the lowest responsive and responsible bidder based on warranties, quality of performance on prior contracts, ability to deliver within prescribed timelines and capacity of bidder to meet the stipulated specifications. The town shall have sole determination in taking these considerations into account and naming the lowest, most responsive, and responsible bidder. The town can also always reject and all bids at its own discretion.
- **Notification of Award:** The office of the Town Administrator of its designee will send a notice of award letter to the low bidder and request (as applicable):
 - Performance Bonds
 - Labor and Materials Bonds
 - Certificates of Insurance
 - Statement of Compliance with Prevailing Wage Rates
- **Record Retention:** Copies of all bid documents including vendor responses, evaluations and award determinations should be retained in the department that received the bids for a minimum of at least six years.
- **Multiple “small” procurements are prohibited:** It is contrary to town policy and state statute or any department to “split” procurements or do several small procurements for the same class/category of materials and supplies. Each department must review the total quantities and needs of its operations for the full fiscal year and seek at least three quotations if the procurement is estimated to result in the \$10,000 to \$49,999 range or formal competitive bids if it is estimated to cost in excess of \$50,000.
- **Sole Source Procurements:** Competitive bids may be waived in instances where there is only one vendor who can provide the relevant equipment, materials or services. In the instance of sole source procurement, supporting documentation must be submitted to the Town Administrator’s office.
- **Bid Protests:** All departments receiving bids must review and examine them objectively. Any bidder who protests the bid award should be referred to the Town Administrator’s office. Bidders will be informed to submit their issues in writing with the specific details. The Town Administrator’s office and Town Counsel will review the basis of the protest and will respond in writing.

For specific bidding requirements, refer to Chapter 30B of the Massachusetts General Laws and other publications issued by the Inspector General’s office.

PROFESSIONAL DEVELOPMENT AND CERTIFICATION

The Town Administrator, as the town’s Chief Procurement Officer, shall seek to attain and maintain certification through the Office of the Inspector General as a Massachusetts Certified Public Purchasing Official.

COOPERATIVE PURCHASING AND STATE CONTRACTS

POLICY:

The policy of the town is that Town Administrator (or his/her designee) has the authority to join with other units of government in cooperative purchasing plans when the best interests of the town will be served in terms of maximizing the value of each tax dollar expended. The use of these contracts saves in terms of reduced overhead expenditures as well as in terms of savings from the economies of scale of regional and state arrangements.

PROCEDURES:

- The town may bid any item or material. Prior to said award the low bid should be compared to regional cooperative bids and state bids for said item to assure that the town is obtaining the best price.
- The Town Administrator (or his/her designee) may enter into cooperative arrangements (with other groups of municipalities) to obtain economies of scale for various items such as: chemicals, sand, salt, calcium chloride, fertilizer, motor oil, bituminous material, gravel, office supplies, etc. Municipal departments will procure these materials for the fiscal year from the vendor awarded the contract by the cooperative/regional group of municipalities.

CONTRACTS AND AGREEMENTS FOR GOODS AND SERVICES

POLICY:

The policy of the town and state statute requires contracts and agreements to be executed for all purchases in excess of \$10,000. All town contracts and agreements will not be valid unless the following approval procedures and signatures of town officials are in place.

Procedures:

- Upon the award of a contract, the town department procuring the good or service should use a Standard Form Contract. The contract provides complete and detailed conditions for the performance or delivery of the respective goods or services. The contract is submitted first to the vendor or consultant for their signature. In this manner, the town will understand that the vendor has accepted the terms and conditions of the agreement.
- The following officials should then sign the agreement for these specific purposes:
 - The relevant department head shall sign the contract as confirmation that it is an appropriate charge/expense to the department's appropriation.
 - The Town Accountant shall sign all contracts verifying that there is an appropriation available to fund the contract.

- The Town Administrator shall be the final signature on the contract to bind the town, and as confirmation that procurement requirements were met.
- For contracts in excess of \$50,000, Town Counsel shall sign the contract as an indication of legal review and appropriateness of the contract form and terms.
- *Prevailing Wage Rates and Payment and Performance Bonds* shall be attached to relevant contracts.
- The Town Administrator's office shall retain a copy of all contracts, including personal service contracts, executed by the town. The other original copies shall be distributed to the vendor and to the Town Accountant.

DELEGATION OF SIGNATORY AUTHORITY

In the absence of any local regulatory guidance and to streamline the town's procurement and grant application processes, the Board of Selectmen delegates its signatory authority to the Town Administrator to execute contracts for goods and services and to apply for grants in the following manner:

- Contracts in excess of \$50,000 in total value will require Board of Selectmen review and approval. The Board or their designee will execute these contracts.
- The Town Administrator can execute contracts valued between \$10,000 and \$49,999 after notifying the Board of Selectmen. Said notification will be in written form and will also be reported by the Town Administrator at a subsequent Board meeting.
- The Town Administrator can execute all contracts valued less than \$10,000 without formal notification to the Board, but will provide informal notification to the Board of Selectmen either before or after the contract has been signed.
- Signatory authority will also be delegated to the Town Administrator for grant applications and related contracts as long as there is no local funding contribution required. If a local match is needed, those grant applications and contracts will require Board of Selectmen review and approval. Written notification will be provided to the Board of Selectmen by the Town Administrator prior to the submission of any grant applications and execution of contracts that are grant funded.
- The Finance Director shall have signatory authority over any personal reimbursement requests made by the Town Administrator.
- This policy does not apply to intermunicipal agreements.