



Town of North Yarmouth

Financial Policies

**Adopted January 15, 2019
Amended December 15, 2020**

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I. PURPOSE

The purpose of this policy is to provide objectives, the delegation of authority, standards of prudence, reporting requirements, internal controls, eligible investments, transactions, risk tolerance, safekeeping and custodial procedures, and selected guidelines for the financial management of the Town of North Yarmouth under the direction of the Town Manager/Purchasing Agent for the Town or his or her designee.

II. PURCHASING

Purchasing policies set forth the duties and responsibilities of the Town Manager, Department Heads, and the Select Board in standardizing the purchasing of goods and services for the Town of North Yarmouth, thereby securing for the Town the advantages of a centralized and uniform purchasing saving the taxpayers money and increasing public confidence in the procedures for municipal purchasing. This policy establishes an overall purchasing policy from which the Town Manager will develop methods to be utilized by all Town departments, as well as boards and committees that receive budgetary appropriations from the Town; and to promote the fair and equitable treatment of all suppliers of goods and services.

A. Purchasing Definitions

1. **Approved Vendors and Contractors:** Those vendors and contractors identified by each Department Head to the Town Manager. The Town Manager and or Department Head is responsible for maintaining the list of such approved parties for bidding purposes and for promoting and soliciting North Yarmouth vendors and residents for said list. The Town Manager shall keep detailed records for each department on file at all times. Such listing shall be reviewed and updated every two fiscal years.
2. **Most Advantageous Bid:** A bid chosen on the basis of price, quality of merchandise, suitability of merchandise, and the service reputation of the vendor, and therefore may not necessarily mean the lowest bid received.
3. **Competitive Bidding:** The process of obtaining the bid most advantageous to the town for any purchase, whether through formal or informal bidding procedures.
4. **Field Purchase:** An informal purchase of supplies needed in small quantities for day-to-day operation made directly by a department head or his/her designated representative from an approved vendor.
5. **Formal Bid:** A written quotation obtained in a sealed envelope from an approved vendor or through advertisement and opened at a specific day, place, and time either by the Town Manager of the Board of Selectmen
6. **Emergency:** A situation by its nature and severity that would require an override of the timeframes set out in this policy.
7. **Informal Bid:** A written or oral quotation obtained from an approved vendor or contractor, but not required to be opened publicly at a specified day, place, and time.

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8. Purchase: Buying, contracting, renting, leasing, or otherwise acquiring supplies or services for a price.
9. Services: The lease or rental of all grounds, buildings, offices, space or equipment required by the Town, the repair or maintenance of all equipment or real property owned by or the responsibility of the Town, and all labor furnished to the Town by persons, firms, individuals or corporations not part of or connected with Town government.
10. Specifications: Standards including quality set by Department Heads as a guide to the Town Manager and as a measure of that which successful vendors must achieve. Specifications shall be either technical specifications for bids, which shall state formulations as broadly as practicable, yet shall be specific enough to describe the requirements of the department, or non-technical specification for bids, which shall state the quality required in general terms.
11. Applicability: This policy shall apply to all purchases and services made by or used by departments and agencies of the Town, except as otherwise specified herein.

B. Purchasing Parameters

1. Spending Authorization

The Town Manager is designated as the Purchasing Agent for the Town. Accordingly, the Town Manager and Department Heads are authorized to spend within budget appropriations. Purchases within the dollar range specified below must meet the requirements listed. Dollar ranges are per piece or in the order total, whichever would meet the dollar range last and are meant to be guidelines and not rigidly defined.

2. Products, Goods, and Equipment

- a) \$0 - \$1,000: Defined as Field purchases
- b) \$1,001-\$4,999: Purchase Order authorized in advance is required. Formal competitive bidding is not required. However, the purchaser should endeavor to get the best value for the money spent. Town Manager or designee will approve the purchase.
- c) \$5,000 - \$99,999: Purchase Order authorized in advance is required. Informal bids will be solicited from a minimum of three bidders, if available. Preferably these bidders will be found on the department list of approved vendors and contractors. The quotes will be attached to the purchase order. If within appropriation amounts, the purchase only needs approval by the Town Manager; if outside the appropriation amounts, needs a recommendation by the Town Manager and approval from the Select Board.
- d) \$100,000 and Over: Written bid specifications or equivalent shall be created by the Department Head and approved by both the Town Manager and the Select Board prior to being advertised. This is a formal bid process the Select Board has the final awarding responsibility. The Select Board will award the bid to the most advantageous or in the best interest to the Town.
- e) Record of Bids: The Town Manager shall keep a record of all bids submitted for a time period of at least three (3) years, and such record shall be open to proper inspection by any interested party.

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- f) Disqualification of Bidders: The Town Manager shall have the authority to disqualify bidders who default on their bids, quotations, contracts, or purchase orders from receiving further awards from the Town. Such decisions will be subject to the right of the disqualified bidder to appeal to the Select Board for a reversal or reinstatement.
- g) Rejection of Bids: The Town Manager and the Select Board shall have the authority to reject any, and all bids (or Request for Proposals) received in response to invitations for bids (or Request for Proposals) are deemed non-responsive, token, collusive or otherwise non-acceptable and when such action is in the best interests of the Town.
- h) Product & Warranty Information: The Town Manager shall be responsible for these documents and for ensuring that appropriate insurance coverage is secured.
- i) Authorization of Documentation: The Town Manager has the authorization to execute such documents that are required to perfect the purchase.

3. Service Contracts

- a) \$0 - \$4,999; formal competitive bidding is not required; contractor shall be on the approved vendors and contractors list. Town Manager or designee will approve the contract.
- b) \$5,000 - \$49,999; Informal bids shall be solicited from a minimum of three bidders, if available. Preferably these bidders will be found on the department list of approved vendors and contractors. If within appropriation amounts, the contract only needs approval by the Town Manager; if outside the appropriation amounts, it needs a recommendation by the Town Manager and approval from the Select Board.
- c) \$50,000 and over; A written Request for Proposal specifications or equivalent shall be created by the Town Manager and approved by the Select Board prior to being advertised. The request shall be advertised by the most efficient means possible, in order to encourage the broadest possible competition. Sealed proposals shall be specified and opened at a public meeting by the Town Manager. The Select Board has the final awarding responsibility. The Select Board may award the service contract to someone other than the lowest bidder if they feel that it is in the best interests of the Town.
- d) Record of Bids: The Town Manager shall keep a record of all bids submitted for a time period of at least three (3) years, and such record shall be open to proper inspection by any interested party.
- e) Contract Information: The Town Manager shall be responsible for these documents and for ensuring that appropriate insurance coverage is secured. All contracts shall contain language that it falls under the jurisdiction of the State of Maine legal provisions, and should their duration extend over one (1) year, that the contract is subject to a non-appropriation clause.
- f) Authorization of Documentation: The Town Manager has the authorization to execute such documents that are required to perfect the contract.

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4. Conflicts of Interest

- a) Any official, officer or employee of the Town who has a financial interest, direct or indirect, or by reason of ownership of stock in any corporation or ownership interest in a business entity, in any contract with the town, or in the sale of any land, material, supplies or services to the town or to a contractor supplying the Town shall make known that interest and shall refrain from voting upon or otherwise participating in his/her capacity as an official, officer or employee in making such sale or otherwise in the making or performing of such contract.
- b) Any official, officer, or employee who willfully conceals such financial interest or willfully violates the requirement of this section shall be guilty of malfeasance in office or position and shall forfeit his/her office or position. Violation of this section with the express or implied knowledge of the person or business entity contracted with or making a sale to the town shall, at the option of the town, render the contract or sale voidable.
- c) In all proceedings before the town, every municipal official shall attempt to avoid the appearance of a conflict of interest by disclosure or abstention.

5. Miscellaneous

- a) Emergencies - In such defined times, the Town Manager may authorize immediate negotiated purchases of supplies or services, not to exceed \$5,000 that are needed to protect the best interests of the Town
- b) Revision Power in the Town Manager - The Town Manager shall examine each purchase order and shall have the authority to revise it as to quantity, quality, or estimated cost, but revision as to quality shall be only with the concurrence of the using agency or department.
- c) Tax Exemptions - The Town Manager shall act to procure for the Town all Federal and State tax exemptions to which the town is entitled.
- d) Town Debit and Credit Cards - The ability to purchase with the town credit card is allowed only by prior approval. If the purchase is made by a Department Head, then the Town Manager or Assistant Town Manager grants the approval. Debit and Credit Card purchases shall not exceed amounts described here as Products, Goods & Equipment.

III. FIXED ASSETS

This policy establishes the minimum cost value (capitalization amount) that shall be used to determine the capital assets, including infrastructure assets that are to be recorded in the Town's annual financial statements in order to comply with the requirements of GASB Statement No. 34. The Town Manager and Department Heads shall be responsible for updating and maintaining asset records on an annual basis or as activity occurs.

It is the policy of the Town of North Yarmouth to annually adopt a Capital Improvement Program (CIP) to ensure regularly scheduled maintenance of existing assets and the funding of mandated or much-needed new capital projects. In order to qualify as a CIP item, the project or item must exhibit a useful life and have a minimum value of no less than \$10,000.

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- A. Capital Asset Definition - Capital assets will be defined as tangible and intangible assets that have initial useful lives that extend beyond a single reporting period (1 year).
- B. Capitalization Method - All capital assets will be recorded at historical costs as of the date acquired or constructed. If historical cost information is not available, assets will be recorded at estimated historical cost by calculating current replacement cost and deflating the cost using the appropriate price-level index.
- C. Capitalization Thresholds - The Town establishes the following minimum capitalization thresholds for capitalizing fixed assets:
- Land and Improvements: \$ 25,000
 - Buildings and Improvements: \$ 50,000
 - Machinery/Equipment/Vehicles: \$ 10,000
 - Infrastructure: \$ 50,000
- D. Infrastructure Assets - In accordance with GASB Statement #34, the Town will record, at a minimum, “major” infrastructure assets as defined in Statement #34 that were acquired, constructed or significantly reconstructed, or that received significant improvements after June 30, 1980. Other infrastructure assets may be capitalized as deemed appropriate. The Town does not intend to use the “modified approach” to record infrastructure.
- E. Other Assets - Detailed records shall be maintained at the discretion of the Town Manager for all items below the capitalization thresholds that should be safeguarded from loss. These items will be part of the annual physical inventory.

IV. INVESTMENTS

The Town of North Yarmouth Investment Management Account has been established to segregate all capital reserve and special fund accounts into one investment account so that the funds are invested and managed in a manner consistent with appropriate municipal care. This policy shall provide the Investment Manager with a general framework within which the investment objectives will be defined and general guidelines outlining how the investment portfolio will be structured. The investments will be managed, and the performance will be monitored by the Town Manager and the Investment Manager.

The Select Board shall select a financial institution to serve as the Town’s Investment Manager.

Specific objectives include:

- Assure policy compliance;
- Developing investment objectives and performance standards which are acceptable to the Town of North Yarmouth’s Select Board;
- Reviewing asset allocations;
- Reporting to the Select Board and or Town Manager on a regular basis, including a face to face meeting at least annually.

A. Investment Manager Responsibilities

In its fiduciary capacity, the Town’s chosen Investment Manager will act prudently and implement the policy solely in the interest of the Town of North Yarmouth.

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The Investment Manager shall also guard this policy. The policy statement also guards against “Board Risk” the possibility that the Select Board members at some stress point (most frequently a low point in the stock or bond markets) will react in a manner detrimental to the long-term health of the investment management account. Board members tend to serve only a few years at a time, and those who adopt this policy today may not be here ten years from now to maintain the steady course that is one prerequisite of a successful investment plan.

The investment manager(s) shall manage the assets of the investment account with the care, skill, prudence, and diligence that a prudent person familiar with such matters would use. Responsibilities

include, but are not limited to, providing the Town with strategic investment counsel, custody of securities, income collection, portfolio management (including all buy/sell decisions), trade execution, and cash flow analysis. The investment manager will be available for meetings at such times as the Town Manager and or Select Board may request. The investment manager(s) will provide the Town Manager with performance data quarterly and will be available to meet with the Town Manager and or Select Board no less than annually. The agenda for meetings with the investment manager will include, at a minimum, the following:

- Current investment strategy;
- Prospective economic climate;
- Portfolio performance with respect to investment objectives and relative benchmarks;
- Expected levels of cash flow projected over the next fiscal year.

B. Investment Objectives

1. Return Requirements - The policy’s primary return objective is to provide safety of principal through the diversification of the assets of the Town of North Yarmouth’s Investment Management Account by investing in high-quality securities that will provide a high degree of liquidity. The investment account performance goal is expressed as a total return, without distinction between income and capital gains.
2. Risk Tolerance - Although the investment account has an infinite time horizon, liquidity needs are scheduled as needed and thus suggests that the investment account should assume a low-risk level.

C. Investment Constraints

1. Liquidity - Prudence dictates maintaining some liquidity for scheduled distributions and emergency expenses. This avoids a sudden need to sell long-term investments to meet unexpected demands for cash.
2. Time Horizon - A relatively long-time horizon can be assumed for planning purposes. The investment portfolio is likely to remain in existence for at least twenty (20) years and beyond.
3. Taxes - Not applicable; the Town is a tax-exempt entity.
4. Laws and Regulations - Funds may be used only for those purposes that the legislative body of the Town has set for each individual fund.

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D. Investment Guidelines

The investment manager(s) shall maintain a diversified portfolio employing a fixed income investment strategy to meet the cash flow needs.

Within the parameters below, the investment manager(s) shall have the discretion to allocate funds to fixed-income investments or cash reserves depending on the investment manager's outlook for the investment markets. Unless otherwise determined by the Town from time to time, the asset allocation for the funds shall be guided by the following:

Target Allocation (as a % of Fair Market Value)

- Equities 0%
- Fixed 85% to 100%
- Cash & Cash Equivalents 0% to 15%

E. Fixed Income Investments

Fixed income investments shall be limited to direct debt obligations of the US Treasury, domestic corporations, securities issued by Federal Agencies, and US Government Agencies. In addition, fixed-income investments shall be limited to the following guidelines:

1. Fixed income securities at the time of purchase must be investment grade or better by Standard & Poor's or Moody's Investor Service.
2. Maturities of fixed income securities shall be structured to provide an average life of five (5) to ten (10) years, with an average life of up to fifteen (15) years for mortgage-backed securities.
3. Fixed-income mutual funds may be used from time to time in order to enhance yield during an interim investing period.

F. Cash Reserves

Investments in cash and cash equivalents shall be limited to insured or collateralized bank deposits, US Treasury Bills, repurchase agreements, or money market funds whose investments are limited to short-term direct obligations of the US Treasury, US Government Agencies, or domestic corporations.

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G. Performance Benchmarks

The performance will be monitored on a regular basis and evaluated relative to the IMA's long-term objectives using appropriate benchmarks for comparison. The account will be compared against the following indices:

- | | |
|-------------------------------|---|
| ▪ Cash Reserve Component | 91 Day Treasury Bill |
| ▪ Convertible Securities | ML Investment Grade Convertibles |
| ▪ International | MSCI EAFE Index |
| ▪ Large Capitalization Equity | Standard & Poor's 500 Index |
| ▪ Mid Cap Equity | Standard & Poor's 400/Russell Midcap |
| ▪ Small Cap Equity | Standard & Poor's 600/Russell 2000 |
| ▪ Taxable Fixed Income | Barclays Capital Aggregate Bond Index |
| ▪ Tax-Free Fixed Income | Barclay's Five (5) year Municipal Index |

V. CASH MANAGEMENT

Cash management establishes uniform procedures to be followed in the collection, custody, reporting, and deposit of cash receipts for all departments within the Town of North Yarmouth (the Town). "Cash," as referenced herein, includes coin, currency, checks, cashier's checks, traveler's checks, money orders, and debit/credit card transactions.

A. Cash Policy

Cash received at each department shall be adequately safeguarded at all times and properly receipted and/or documented. Until deposited, all cash collections shall be kept in locked drawers, cash boxes, or cash registers. All cash kept overnight will be moved into the safe and locked. All customer checks, cashier's checks, traveler checks, and money orders will be restrictively endorsed immediately upon receipt. The restrictive endorsement will be made with stamped imprint indicating, "For Deposit Only, Town of North Yarmouth."

The Town Manager (or his/her designee) will be responsible for depositing cash received by the Town to the proper bank depository. Funds accumulating to more than \$5,000 shall be promptly deposited. During transport of deposits, prudent measures shall be taken to assure that funds are adequately safeguarded.

Under no circumstances should disbursements be made from cash receipts. Cash receipts should be accounted for in detail and reconciled against the corresponding source journal(s). No checks are to be cashed from the cash receipt coin/currency originally collected. Refunds may only be authorized by only by the Town Manager (or his/her designee) against like-tender; currency for currency, credit card for a credit card, etc.

No employee has authorization to receipt any transaction for themselves.

B. Transactions Policies

1. Currency, Personal Checks, Bank Checks, Money Orders, and Debit/Credit Cards are all acceptable forms of payment for any transaction.

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2. Coinage payment shall not exceed \$10 per transaction.
3. Checks should be made payable to the Town of North Yarmouth.
4. Any check presented shall have a full name, current address, phone number, and license/id number written or listed on the check.
5. No check may be written for cash or in excess of the amount of the transaction.
6. Tax payments made in the form of a check that is inadvertently written in excess of the amount owed, the Town Manager (or his/her designee) shall authorize a refund once the check has passed through the Town bank's clearinghouse.
7. Visa, MasterCard, Discover, and American Express are accepted.
8. The name on the debit/credit card must be verified that it matches the receipted name, along with verifying the signature upon receipt.
9. All debit/credit card payments shall be processed immediately through the third-party card authorization system, and a receipt showing the transaction is accepted must be printed and signed by the cardholder when paying in person. Credit Card payments over the phone may be accepted.
10. A third-party card convenience fee as set by the authorization company shall be added to each transaction processed.
11. A printed receipt shall be provided to all customers showing the amount tendered.
12. The Town Manager (or his/her designee) shall be responsible for the collection of checks returned for non-sufficient funds. Non-sufficient fund procedures are followed until the collection is obtained.

VI. UNDESIGNATED FUND BALANCE

The undesignated fund balance or unreserved General Fund balances are reflected on the balance sheet of the Town of North Yarmouth. All surplus policy formulas and discussions refer specifically to the undesignated and unreserved fund balance at year-end (June 30) as reported in the audited financial statements of the Town. Excluded from the calculations and policy formulas are fund balances in designated capital reserve or special fund accounts, or any funds other than the General Fund.

The Town of North Yarmouth recognizes the importance of maintaining an appropriate level of undesignated fund balance. The town's unassigned GF fund balance serves several stabilizing purposes. It is a surplus of amounts which have accrued from unexpected operating budget surplus and unanticipated excess revenues. The surplus also provides the town with an amount for use in unforeseen, unbudgeted emergency situations, and provides a cash flow cushion to offset the need for borrowing in anticipation of tax receipts.

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To maintain financial stability, the town has established this policy to maintain an unassigned GF fund balance no less than 12% and no more than 16% of the current fiscal year's budget as defined below:

Gross town operating budget, including town's share of school budget, town's portion of the county's operating budget, and debt service.

Once the town achieves its goal of an appropriate level of undesignated fund balance, any excess funds may be utilized for other municipal purposes, including, without limitation, additional capital improvement needs, tax rate stabilization, or reduction purposes. For example, by utilizing excess fund balances for capital improvements, the town will reduce the need to incur long-term debt and will avoid creating an operating funding gap for subsequent fiscal years.

This policy has been adopted by the town to recognize the financial importance of a stable and sufficient level of undesignated fund balance. However, the town reserves the right to appropriate funds with taxpayer approval, from the undesignated fund balance for emergencies and other requirements the municipal officers believe to be in the best interest of the town.

In the event the town's undesignated fund balance drops below the 12% minimum, a written plan to replenish the fund within a maximum of three fiscal years must be approved by the Select Board at the time of the emergency GF fund balance appropriation.

A. Undesignated Fund Balance Appropriations

On or about May 1st of each year, the Select Board shall determine the amount of excess funds to be taken from the surplus fund balance, if any, that may be applied as a "revenue" for the purposes of developing the subsequent municipal budget, to be utilized for other municipal purposes, including without limitation, additional capital improvement needs, tax rate stabilization, or reduction purposes. The Town Manager is responsible for projecting such year-end balances and recommending an amount of surplus fund balance, if any, that may be applied to the budget proposal consistent with this policy.

B. Investment of Undesignated Fund Balance

Undesignated fund balance amounts represent an accounting balance and not necessarily a segregated investment account or pool of funds (idle cash) waiting to be expended or invested. The Town Manager/Treasurer is responsible for forecasting cash flow requirements for all town

purposes and to safely invest any idle cash or capital reserve balances prudently and properly. As such, surplus fund balance investment does not have an investment policy distinct from the general investment guidance and objectives for all Town Funds as contained in these financial policies. (Certain trust accounts, accounts held under grant agreements, and escrow-type funds, such as security deposits, may have special investment rules or limitations, but otherwise, all town investments are subject to the general rules of prudence and state law. The Town, in that policy, seeks to provide security, liquidity, and return, in that order.)

C. Reserve Funds/Capital Improvement Plan

It is the policy of the Town of North Yarmouth to limit tax fluctuations by annually setting aside capital purchase reserve funds (designated by use). The Town Manager recommends amounts and uses in the annual proposed budget, which is then reviewed and recommended to Town Meeting by the

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Select Board and the Budget Committee. The Town Meeting vote establishes final amounts and uses for those reserve funds.

The Select Board and Town Manager/Treasurer are authorized to sell, on behalf of the Town, at public or private sale, used town vehicles and or equipment and to see that said sales are placed into the equivalent reserve fund. Additionally, the Selectpersons are authorized to expend amounts previously placed into reserve accounts only for purposes that are consistent with the intent of the reserve fund when created and funded.

VII. POLICY AMENDMENTS

The Select Board shall periodically review the Financial Policies and make modifications when warranted. Proposed modifications to this policy will be documented in writing and be put into effect only after an official majority vote of the Board.

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Select Board

Brian Sites, Chairperson

Amy Haile, Vice Chairperson

Paul Hodgetts

Katherine Perrin

Andrea Berry